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Special Issue:

Trends in Japan's Farm Market

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In this issue:

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JAPAN: A Profile of the Top U.S. Farm Market

Last August 13, the Asahi Evening News *carried a four-column page 1 headline announcing an understanding between Japan's Minister of Agriculture and the United States Secretary of Agriculture. This understanding, calling for U.S. grain and soybean shipments of 14 million tons a year for 3 years, received similar treatment in other Tokyo newspapers.*

Such media attention to the Butz-Abe announcement is a reflection of Japanese concern about American food supplies—and a preoccupation with U.S. farm and trade policy. There are reasons:

- *Japan produces only half the food (caloric basis) it needs for a population of 110 million.*
- *The United States is the largest foreign supplier of farm products, providing a third of imports.*
- *There is public concern in Japan about the general tightness of world grain and soybean supplies since 1972, and a persistent fear, despite U.S. assurances, of future U.S. export controls.*

Japan is the largest single-country market, by far, for U.S. agricultural products. It takes the produce of 14 million American acres—equivalent to all the harvested cropland in California, Washington, and Oregon. The Japanese market is therefore crucial to U.S. agriculture, just as U.S. ability to supply Japan is important to that country.

Moreover, this interdependence goes far beyond agriculture. Japan depends on the United States for defense, and the United States counts on Japan as an important friend and ally in the Pacific. Both have an international influence far beyond their physical size. Together they produce nearly 40 percent of the world's goods and services, although they total only 8 percent of the world's people.

In 1974, Japan's miracle machine began to falter, and imports of U.S. farm products declined. Now, the question is whether Japan will resume its rapid economic growth—and what this will mean to U.S. agriculture.

David L. Hume
Administrator
Foreign Agricultural Service

Growth interrupted by recession

U.S. Farm Exports to Japan May Rebound in 1975/76

By BRUCE L. GREENSHIELDS
Foreign Demand and Competition Division
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CAUGHT IN the cross currents of recession and inflation, Japan in the U.S. fiscal year just ended made one of its rare reductions in takings of U.S. farm exports. Yet on a value basis, the decline amounted to only about 5 percent, putting U.S. fiscal 1975 exports to Japan at $3.2 billion—the second highest on record and a far cry from the $372 million worth shipped to Japan two decades ago.

And Japan seems poised to recoup at least part of that reduction in fiscal 1976—with U.S. sales there tentatively pegged at $3.3 billion—as it pulls out of the most devastating recession since the early 1950's (discussed in the article beginning on page 5).

In fact, the understanding recently reached by U.S. Secretary of Agriculture Butz and Japan's Agriculture Minister Abe on exports of grains and soybeans to Japan will provide considerable market assurance to both Japanese consumers and American farmers. That understanding calls for the United States to have available for shipment to Japan at least 3 million tons of wheat, 3 million tons of soybeans, and 8 million tons of feedgrains in each of the next 3 years, underscoring U.S. willingness to serve traditional customers first and foremost.

Up to the recession of 1974, Japan had continued as one of the most rapidly expanding U.S. farm markets as its succession of years with double-digit economic growth culminated in a virtual explosion in demand during the 5 years ended in fiscal 1974. This acceleration is evidenced in the tripling of U.S. farm exports to Japan in the 14 years between fiscal 1956 and fiscal 1970 and then another tripling in just 5 years between fiscal 1970 and 1975.

While rising prices played a major role in the growth, steadily increasing volumes also were taken by this country that must import about half of its food needs (on a caloric basis, counting domestic livestock output as imported to the extent that feed is imported).

This expansion has put Japan in first place among importers of U.S. farm products: the $3.2 billion in sales to Japan last year amounted to 15 percent of all U.S. farm exports. In addition, Japan now ranks as the world's second largest agricultural importer next to West Germany.

Some 24 commodities accounted for 95 percent of the U.S. sales tally for fiscal 1975. Five of these—feedgrains, soybeans, wheat, cotton, and tobacco—together made up over $2.6 billion of U.S. agricultural exports to Japan last season.

Japanese imports of **feedgrains** last year declined 1 million tons to 13 million, with the U.S. market share dropping from 71 to 59 percent. However, rising prices held the value decline in feedgrain exports to just over 10 percent for a total value slightly under $1 billion—still far the largest U.S. farm export to Japan.

Average c.i.f. price of Japan's corn imports last season was $4.09 per bushel, up 34 percent from that of fiscal 1974. Sorghum, at $3.75 per bushel, rose 33 percent; and barley, at $3.93, rose 32 percent.

Feedgrain imports are among the few items not controlled by the Government and enjoying duty-free status in the market. Thus, they directly reflected the drop in demand last season caused by rising prices and reduced Japanese incomes—a change that would normally be expected under conditions that come as close as almost any in Japan to approximating a free market.

Major U.S. competitors in the feedgrain market are Australia, Thailand, Argentina, Canada, and South Africa. Their gain in market share last season was largely the result of the reduced U.S. harvest at a time of good harvests elsewhere.

Unlike most other major exports to Japan, feedgrains are relatively new in the market. Their large-scale import did not begin until the early 1960's, when interest in grain feeding of livestock started to grow and Japanese feedgrain production began its descent from 2.6 million tons at that time to virtually nothing currently.

Japanese imports of **soybeans** declined 360,000 tons in fiscal 1975 to 3 million, with 90 percent coming from the United States compared with 88 percent the year before. Other major suppliers were the People's Republic of China (PRC) and Brazil.

The $651 million in value for U.S. soybean exports to Japan last year earned them second place next to feedgrains. Here again, sales were slightly under those of fiscal 1974, but strong prices and the gain in market share helped negate a much larger reduction in demand—average c.i.f. price of soy-

U.S. food products are unloaded at Yokohama Port in Japan—world's largest market for U.S. farm products.

beans from all sources was $8.19 per bushel, up 24 percent from that in fiscal 1974.

Japanese imports of soybeans have risen steadily over the last quarter century as their use as an animal feed has expanded and Japanese soybean production has slipped, by over one-third from its peak of 500,000 tons in 1955. However, Japan is currently attempting to expand its soybean production from the 140,000 tons harvested in 1975 in an effort to increase self-sufficiency.

Today, Japan crushes about 85 percent of the imported soybeans, using the meal byproduct as a high-protein supplement in animal feed and the oil in vegetable oil and margarine manufacture. By weight the soybean meal is the more important of the two products since imported soybeans when crushed yield about four parts meal and one part oil. Soybeans produced domestically are used primarily as food, as are much of the soybeans imported from the PRC.

Among other feed ingredients, total **alfalfa meal and cube** imports declined in fiscal 1975 to 414,000 tons with the U.S. share also falling, from 75 percent in fiscal 1974 to 68 percent. Canada is the other major supplier, but the drop in U.S. share was precipitated by New Zealand's edging into the market.

Soaring prices were a prime reason for the general reduction in buying, as the average c.i.f. price of alfalfa meal and cubes spurted 60 percent from that in fiscal 1974 to $138 per short ton.

Since the profitability of livestock production in Japan, as measured by the feed/livestock price ratio, has improved in recent months, Japanese feed ingredient imports should rise slightly in fiscal 1976. Preliminary forecasts see U.S. feedgrain exports to Japan rising to 300 million bushels from 284 million in fiscal 1975; and soybeans, to 100 million bushels from 87 million.

Third-placed **wheat** bucked the declining trend last season as U.S. export volume rose by about a million bushels and value jumped to $575 million from $495 million the year before. This volume growth is consistent with the recent tendency of total wheat imports to expand at the rate of population growth—slightly over 1 percent per year. Per capita imports have generally held stable after a sharp upward thrust in the 1950's and early 1960's.

The U.S. share of the market was 60

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PRINCIPAL U.S. AGRICULTURAL EXPORTS TO JAPAN, FISCAL 1974 AND 1975

Commodity	Unit	Quantity		Total value, f.a.s.	
		1974	1975	1974	1975
		Thousands	*Thousands*	*1,000 dollars*	*1,000 dollars*
Beef and veal	Lb	27,223	5,342	37,138	6,889
Pork	Lb	12,891	48,761	9,785	41,096
Poultry meat	Lb	25,735	20,323	12,764	9,607
Wheat	Bu	112,145	113,135	495,504	575,224
Rice	Lb	18,671	71,386	4,188	15,471
Barley	Bu	2,109	3,909	6,114	12,896
Corn	Bu	274,634	200,340	812,871	703,668
Sorghum	Bu	125,920	79,291	329,151	264,948
Oranges	Lb	42,588	45,983	4,301	6,231
Lemons	Lb	193,255	207,887	23,535	41,797
Grapefruit	Lb	330,377	319,911	32,812	34,524
Almonds	Lb	18,008	7,712	23,525	7,331
Raisins	Lb	20,758	29,562	9,208	11,764
Alfalfa meal and cubes	S. ton	398	278	29,778	27,566
Sugar byproducts	S. ton	54	164	4,528	17,133
Unmanufactured tobacco	Lb	88,709	103,001	119,895	166,646
Whole cattle hides	No	6,362	6,892	122,688	91,761
Safflowerseed	Lb	78,180	31,994	5,229	5,447
Peanuts	Lb	38,359	26,674	10,110	6,778
Soybeans	Bu	100,979	86,977	672,495	650,868
Cotton	R. bale	1,284	987	257,026	257,107
Inedible tallow	Lb	326,439	253,502	58,265	45,787
Crude soybean oil	Lb	21,399	55,133	5,599	16,641
Refined cottonseed oil	Lb	31,551	15,819	7,131	6,406
Total principal commodities	—	—	—	3,093,640	3,023,586
Total agricultural commodities	—	—	—	3,352,845	3,184,704

Source: U.S. Bureau of the Census. Data for 1975 are preliminary.

Rise in GNP May Signal End to Japan's Recession

By BRUCE L. GREENSHIELDS
Foreign Demand and Competition Division
Economic Research Service

SIGNS ARE mounting that the Japanese economy is pulling out of its worst recession in 20 years—good news for U.S. farmers who saw the recession cut U.S. agricultural exports to Japan in fiscal 1975.

Heretofore, Japan's rapid economic growth had helped sustain a steady upward march in Japanese imports of U.S. farm products, which in fiscal 1975 surpassed Japan's total agricultural imports of a decade earlier and were more than three times the $914 million recorded for U.S. farm exports to Japan in fiscal 1966. U.S. agricultural interests will thus be keeping close watch on Japan's recovery from the recession, as well as on competition from suppliers in this No. 1 farm market and on Japanese policies regarding agricultural self-sufficiency.

Japan's 1974 economic setback—the first since the early 1950's—saw a 2 percent drop in real gross national product (GNP) bring an abrupt end to the 10 percent yearly GNP growth averaged during the past two decades. The recession also spilled into the first quarter of 1975, but its end was signaled by the nearly 1 percent increase in real GNP in the second quarter of 1975—the first real gain in GNP among developed nations hit by the worldwide recession of 1974.

For all of 1975/76, a gain of anywhere from 1-6 percent is seen, depending on the source of estimates, with foreign demand for Japanese goods a key factor in the rate of rebound.

The Organization for Economic Cooperation and Development (OECD), for instance, forecasts that Japan's real GNP may rise 5-6 percent in July 1975-June 1976. This forecast is based, among other things, on rapid expansion in world trade.

The Japanese Government foresees a 4.3 percent increase in real GNP between April 1975 and March 1976, although an official of the agency responsible for making the forecast has unofficially lowered the rate to 1-2 percent.

The Japan Economic Research Center (JERC) maintains that the rate will be 1.6 percent in April 1975-March 1976. The JERC is one of the more renowned private research institutions and has a macro-model of the Japanese economy.

Signs of economic improvement are already evident. Industrial production has risen each month since February 1975, albeit only slightly, with production still 17 percent below what it was at the start of the slide in late 1973. Housing starts have picked up since the beginning of 1975, and bankruptcies appear to have reached their peak. The ratio of job offers to job seekers has been rising since April.

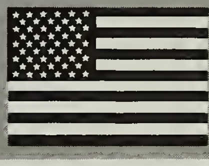
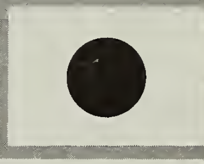
On the other hand, some economic indicators still cloud prospects for sharp recovery. The trend of business fixed investment remains depressed, and foreign demand for Japan's exports has been falling as a result of the global recession.

The downturn in Japan's economy last year was led by a decline in private consumption expenditures—one of the principal components of aggregate demand. Soaring prices in the wake of the oil crisis had an adverse impact on real disposable income. Japanese consumers adopted a cautious attitude toward spending and even increased their savings as a share of disposable income, reflecting their resistance to rising prices, uncertainties caused by the oil crisis, a deteriorating employment outlook, and renewed awareness of the scarcity of resources.

Substantial increases in unit labor costs kept gains in labor productivity to less than 1 percent in 1974, compared with 20 percent in 1973. The annual rate of increase in wholesale prices reached a peak of 37 percent in February 1974, while retail prices peaked out at 25 percent in August 1974.

The unemployment rate reached its

A COMPARISON OF U.S. AND JAPANESE ECONOMIC DATA, 1974

		
Total population (millions)	210	110
Farm population (millions)	9	24
Total employment (millions)	86	52
Agricultural employment (millions)	4	4
Total land area (1,000 sq. mi.)	3,554	144
Arable land (1,000 sq. mi.)	743	21
Gross national product (bil. dol.)	1,400	450
Agricultural product (bil. dol.)	60	20
Total merchandise exports (bil. dol., f.o.b.)	98	56
Agricultural exports (bil. dol., f.o.b.)	22	—
Total merchandise imports (bil. dol., f.o.b.)	101	53
Agricultural imports (bil. dol., f.o.b.)	10	9
International reserves (bil. dol.)	16	14
Retail price increases (1974 as percent of 1973)	11	24
Ratio of personal savings to disposable income (percent)	9	25
Ratio of food expenditures to disposable income (percent)	16	24
Calories per person per day	3,300	2,526
Protein per person per day (grams)	99	79

2.2 percent peak in March 1975. Owing to the paternal nature of Japanese firms, however, this rate is not comparable with unemployment rates in other developed countries: firms tended to take other measures such as slashing institutionalized bonus payments and overtime, rather than actual reductions in force.

Much of the country's economic difficulties last year centered around trade, on which the country depends heavily both as an importer and exporter. While prices of merchandise imports (mainly commodities) rose 78 percent in 1974, those of merchandise exports (mainly manufactures) rose only 38 percent. Thus, the value added to imported raw materials through their transformation to sophisticated manufactures—long a key component of Japan's rapid economic growth—declined relative to the costs of the imports.

Since economic activity and commodity prices are major determinants of Japan's agricultural imports, the country witnessed a sharp slowdown in such imports during 1974. While prices of food imports (including beverages and tobacco) soared 62 percent, volume of such imports dropped by 11 percent in 1974. At the same time, price gains of 28 and 36 percent contributed to reductions of 29 and 6 percent, respectively, in imports of fibers and other agricultural raw materials.

An even greater price rise, however, occurred in imports of mineral fuels, whose price more than tripled between 1973 and 1974. The impact of this gain was marked since Japan imports nearly all of its petroleum requirements and 90 percent of its total energy needs.

But despite such problems, Japan has dramatically improved its international payments position from the low point reached in 1973, partly due to borrowing from OPEC members. The overall payments account, for instance, recovered from the $10 billion deficit of 1973 to $7 billion in 1974 and to only $2 billion in the first half of 1975.

International reserves totaled $14 billion on September 1, 1975, down only $4 billion from the highest level ever attained (February 1972). In addition, the merchandise trade account registered a $1.4-billion surplus for 1974.

Contributing to this and other improvements was the Japanese Government's stringent policy of restraint aimed at bringing inflation under control, in effect throughout 1974. Tight

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New Policies Could Spell Trouble for U.S. Farmers

By BRYANT H. WADSWORTH
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For the past 2 years, Japan's policymakers have given top priority to an effort to cool off the economy and reduce inflation. At the same time they are attempting to increase production of some crops, a development that would increase food costs to the Japanese consumer and possibly reduce some agricultural imports from the United States.

It has been generally recognized that food prices played a major role in Japan's runaway inflation in 1974. It is less widely appreciated in Japan that reducing the rate of inflation—while at the same time cutting the gap between domestic food production and consumption needs—may be impractical, if not entirely impossible.

A closer approach to food self-sufficiency can likely be brought about only if the Government provides greater protection to domestic producers, increased consumer subsidies, or a combination of the two. Either, or both, would mean increased costs to Japan's consumers and taxpayers, for whom food costs represented about one-fourth of disposable income in 1974.

Only about 15 million acres of Japan's land area are cultivated and this probably cannot be increased. Imported foods already represent an acreage equivalent that is considerably larger than this total.

An analysis of the US$7.5-billion Ministry of Agriculture and Forestry (MAF) budget for 1975[1] reveals that the policy shift (toward promoting production leading to greater self-sufficiency) that started in 1974 is still in effect for the coming season. Another policy—to diversify sources of import supply—has been in existence for several years, but it is now receiving renewed emphasis.

The implication of both of these policies gives direct notice to U.S. farmers concerning the future of their exports to Japan. The Government of Japan is saying in effect, "We must satisfy a smaller proportion of our food needs with imports and reduce the share coming from the United States."

Japan has been essentially self-sufficient in rice production for the past decade, but its self-sufficiency rate in virtually every other commodity has been declining steadily.

Maintaining self-sufficiency in rice is generally recognized as one of the easiest of such goals, given Japan's agricultural resource base. But even this level of production has been reached at considerable expense. Domestic rice support prices have generally averaged 2-3 times world prices.

Having attained and maintained self-sufficiency in rice and knowing the costs involved, Japanese policymakers—generally speaking—seemed to show only moderate concern until recently about the declining self-sufficiency rates in other commodities.

The current increased concern over food security began on a relatively small scale with the U.S. corn blight problem of 1970. Fuel was added to the first by the U.S. dock strike in 1971. But the fire reached its hottest temperature when the United States imposed temporary controls on soybean exports in 1973. The so-called world food crisis has served to keep the fire burning, although the current worldwide recession and the declines in world commodity prices have partially extinguished the flames.

The shape of the MAF budget began to change after the imposition by the United States of the temporary soybean export controls. Expenditures for controlling rice production have been cut significantly since then, while support levels—for not only rice, but also for wheat, barley, and soybeans—have been sharply increased.

The largest single item in the MAF budget for the past several years has been the Food Control Account handled by the Food Agency (FA). In the 1975

[1] **All years are Japanese fiscal years, beginning April 1, unless otherwise indicated.**

budget, this item accounts for over 40 percent of the total, or about $3.1 billion. The rice subsidy alone (the difference between the support level to the producer and the price paid by the consumer) represents about $2.25 billion of this total.

Three percent, or $65 million of the $2 billion budgeted for stabilization of food production is to subsidize—and possibly increase—the production of wheat, barley, soybeans (for food only), rapeseed, and forage crops. This is a relatively small amount, but it is significant because there were no incentive programs for these crops in the MAF budget until 1974. Instead, all of the funds in this budget item were for infrastructure improvement.

Since the effective 1974 support prices to Japanese producers of wheat, soybeans, and barley were about $12.50, $17.50, and $9.80 per bushel, respectively, the budget costs of a major expansion in domestic production—if it can be achieved—will certainly be substantial indeed.

For example, Japan imported 3.24 million metric tons of soybeans in 1974 (versus total consumption of 3.65 million tons). The average c.i.f. cost of imports was equivalent to $7.40 a bushel, or a total of $879 million. If all of these soybeans had been grown domestically, the total support cost would have been $2.08 billion, or $1.2 billion greater than actual expenditures.

The transfer of funds to the Food Agency still accounts for over 90 percent of the amount intended for food price stabilization, but the 1975 budget includes for the first time funds for beef- and egg-price programs—$1.7 million and $2.1 million, respectively. There is also an additional $3.8 million under this budget item for soybean and rapeseed price stabilization.

Funds for agricultural import stabilization appeared in the 1974 budget for the first time. Over half of the amount budgeted in 1975 under this item ($12.8 million) will go to the newly established International Cooperation Corporation, and will be used to encourage increased agricultural production in certain developing countries, one objective being to create new sources of import supply.

The remaining $7.6 million is set aside to encourage the stockpiling of soybeans ($1.4 million), feedgrains ($1.7 million), and lumber ($4.5 million) during the 1975 fiscal year.

From top: Power threshing of wheat in Japan; plowing with small cultivator; day-old chicks being removed from incubator. Japan intends to boost production of some commodities and to diversify its sources of imports. Both of these could affect Japanese farm imports from the United States.

Somehow the modest sums budgeted for food stockpiling hardly seem to reflect recent expressions of alarm about dwindling world food supplies and the need for large reserves to assure more market stability. But it is significant, perhaps, that a base is being laid that could be expanded substantially when the world supply situation again permits stocks to be accumulated economically.

During most of the post-war period, Japan has relied mainly on the distribution pipeline—including ships enroute—as a way to maintain necessary stocks of food and other commodities. As a result of events over the past 2 years or so, however, Government policymakers have officially stated intentions to increase stocks of such imported items from the level normally in the pipeline to one equivalent to the requirements for 2½ montths or so.

Stocks were increased for a while—and in June 1975 the Japanese Government was again requested to build stocks—but the current recession and easing of supplies and prices of major commodities seem to have brought about at least a temporary relaxation of efforts in this direction.

75 percent by 1985

Self-Sufficiency Goal Raises Many Questions

By LARRY F. THOMASSON
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JAPAN—TOP market for U.S. agricultural products for the past 12 years —is striving to become more nearly self-sufficient during the next decade—a goal that, if achieved, would slow the growth of U.S. farm exports there. The higher self-sufficiency targets, announced in a recent report to the Ministry of Agriculture and Forestry (MAF), reflect Japan's serious concern with the security of its food supplies in view of the country's high dependence on agricultural imports.

In its report to MAF, Japan's Advisory Council on Agricultural Policy calls for increasing food self-sufficiency to 75 percent (value basis) by 1985—a reversal of the declining trend of recent years. Japan was 90 percent self-sufficient in producing its own food in 1960, for example, a rate that fell to 72 percent by 1972, as the pace of food imports quickened in response to economic prosperity.

Although the report calls for expanding domestic production of all crops and livestock, Japan's limited land area, and dense population limit future expansion possibilities appreciably. As a result, most of the self-sufficiency growth will have to be achieved at the expense of consumers, who will have to shoulder the higher costs of subsidized, home-grown foods, compared with cheaper imports.

Underlying Japan's self-sufficiency drive is a serious concern with supply stability. Events of the past 2 years, notably the rather wide swings in world supply-demand balances for several bulk commodities, have exacerbated this concern. Contributing factors have been the short-lived U.S. soybean export embargo, actions to restrict or control exports taken by other nations and fluctuating commodity prices. Further, Japanese consumers have focused on food as a major cause of inflation. And Japan's own projections of the mid- to long-term world food outlook lean to pessimistic.

In spite of Japan's nervousness about its food vulnerability, agricultural imports have never fallen below requirements, even during the past 2 years of tighter supplies. And the United States has been Japan's most dependable supplier of food and feedstuffs.

The U.S. share of Japan's agricultural import needs has increased dramatically in recent years, when most other exporters could not deliver or imposed various restrictions on exports. The United States generally kept its markets open to its regular customers on the same free basis as to domestic users.

Also, the United States is continuing to do everything possible to fulfill the food needs of overseas markets, including Japan. U.S. set-aside acreage restrictions have been removed and farmers encouraged to strive for allout production to meet domestic and export market demands. Additionally, the broad U.S. geographic dispersion of major growing areas greatly lessens the chances of widespread crop shortfalls.

AMERICAN producers, on the other hand, are heavily dependent on Japan as a market for their products and are as concerned with access to markets as Japan is with access to supplies. Last year, U.S. cropland used to produce for Japan's needs alone exceeded Japan's total of about 15 million cultivated acres. In other words, about one of every 20 U.S. acres cultivated produced agricultural products for Japan, compared with one out of every three acres that produced for all export destinations.

Longer term, the United States has the potential for substantial production expansion. It is estimated that the United States has a 472-million-acre cropland base versus a harvested acreage of 322 million in 1974 with no set-aside programs in effect. Most experts agree that adequate price incentives to producers could bring much of this into production if a steady long-term demand existed. Interestingly, U.S. support prices are only a third to a half Japanese levels for several major agricultural commodities.

Japan's self-sufficiency on a caloric basis is much less than on a value basis —50 percent—reflecting its high dependence on bulk agricultural imports to provide raw materials for oilseed crushing plants, flour mills, and livestock feed industries. Although imports of consumer-ready foods are increasing, various restrictions still hold these items to a modest share of total imports and of total needs, in most instances.

JAPAN'S LONG-TERM prospects for production and demand for agricultural products by 1985 are closely keyed to a number of other factors—population growth and food expenditures, among others. In drawing up the projections, the Ministry's Agricultural Policy Council made the following assumptions (base year is 1972):

- Japan's population will grow at the rate of 1.1 percent a year—the same as in 1960-72, which would put population at 122.7 million in 1985, versus 107 million in 1972 and 93 million in 1960.
- Individual consumption expenditures will increase 5 percent a year, a rate far below the growth recorded during 1960-72.
- Daily per capita caloric intake is slated to rise from 2,510 calories in 1972 to 2,593, compared with 2,293 in 1960. Caloric intake is already considered reasonably adequate in Japan by some authorities, particularly considering the small stature of many Japanese.
- An improvement in grams of protein per day from 78.6 to 83.3 versus 69.1 in 1960. (Animal 33.8 to 40.4 versus 2.5; plant 44.8 to 42.9 versus 66.6.)
- The expansion of domestic agricultural production by 2 percent per year.
- An increase in the national demand for farm products of 1.6 percent per year.
- An expansion in cultivated area from 5.69 million hectares in 1972 to 5.85 million in 1985 (plus 250,000 of pastureland), with utilization up from 102.1 percent to 114.3 percent through more double-cropping.
- Finally, an increase in food self-

A projected rise in animal numbers, including poultry, left, suggests that Japan's imports of U.S. feedstuffs will continue expanding. Soybean production, above, is also projected to increase.

sufficiency from 73 percent to 75 percent on a value basis, versus 90 percent in 1960. Self-sufficiency in cereals would decline from 42 percent to 37 percent, while that of rice, wheat, and barley for food would increase from 71 to 73 percent.

As might be expected, the projections call for continued 100 percent self-sufficiency, or nearly so, for rice, vegetables, and potatoes. The same is true for pork, chicken, and eggs—products that are highly dependent on imported feeds.

The domestic share for a second group of foods—fruits, milk products, beef, and fish—is expected to improve marginally in most cases and generally to account for from 80 to 95 percent of total demand. However, some trade and economic factors are likely to exert substantial market pressures to decrease self-sufficiency in these items. These include unusually high prices for beef in relation to other meats, the changes occurring in the laws of the seas, and the scarcity of and high prices for fruits during the offseason.

Self-sufficiency is projected to in-

JAPAN—SUMMARY AGRICULTURE/FOOD BALANCE SHEET (1960, 1972, AND PROJECTED 1985)

Commodity	Domestic production			Imports			Total demand[1]			Food self-sufficiency		
	1960	1972	1985	1960	1972	1985	1960	1972	1985	1960	1972	1985
	1,000 M.T.	1,000 M.T.	1,000 M.T.	1,000 M.T.	1,000 M.T.	1,000 M.T.	1,000 M.T.	1,000 M.T.	1,000 M.T.	Per-cent	Per-cent	Per-cent
Rice	12,858	11,897	12,110	—	—	—	12,618	11,948	12,110	102	100	100
Wheat, total	1,531	284	553	2,384	5,088	5,346	3,965	5,372	5,899	39	5	9
(For feed)	—	—	—	—	—	—	(468)	(713)	(822)	—	—	—
Barley, total	2,301	324	890	—	1,518	1,612	2,141	1,842	2,502	108	18	36
(For feed)	—	—	—	—	—	—	(540)	(985)	(1,506)	—	—	—
Livestock Feed:												
(TDN)[3]	3,773	5,628	5,837	1,898	9,888	14,772	5,671	15,516	20,609	—	30	28
Soybeans, total	418	127	427	1,128	3,369	4,580	1,517	3,496	5,007	—	4	9
(For crushing)	—	—	—	(839)	(2,636)	(4,000)	(982)	(2,875)	(4,300)	—	—	—
(For food)	—	—	—	—	—	—	(535)	(621)	(707)	(28)	(20)	(60)
Potatoes[4]	9,871	5,598	4,927	—	6	—	9,849	5,604	5,927	157	100	100
Peanuts	72	64	82	—	55	74	70	119	156	103	54	53
Pulses	429	268	218	59	110	162	488	378	380	88	71	57
Vegetables	11,742	15,837	20,136	—	204	—	11,742	16,041	20,136	100	99	100
Fruits	3,307	6,409	8,789	—	1,471	1,627	3,296	8,004	10,612	84	81	84
Milk prods	1,939	4,944	7,680	237	775	462	2,176	5,719	8,142	89	86	94
All meats	517	1,730	2,747	87	417	446	604	2,147	3,193	—	81	86
Beef	141	290	508	—	77	117	147	367	625	96	79	81
Pork	149	793	1,325	—	90	10	155	883	1,335	96	90	99
Chicken	44	640	914	—	28	1	44	668	915	100	96	100
Other meats	183	7	—	—	222	318	58	229	318	—	3	—
Fish, total	5,803	10,376	11,953	—	876	2,801	5,383	10,472	13,903	101	101	95
(For feed)	—	—	—	—	—	—	(983)	(2,429)	(4,001)	—	—	—
Eggs	547	1,811	2,205	—	37	1	689	1,848	2,206	108	98	100
Sugar	—	621	1,064	1,243	2,456	2,787	1,419	3,077	3,851	—	20	28
Oils & fats, total	350	352	370	350	1,181	1,870	682	1,533	2,240	—	23	17
(For food)	—	—	—	—	—	—	—	(1,216)	(1,814)	—	—	—

[1] Includes demand for food, food processing, seed, loss, and imports. [2] Only consumed for food, excluding soybeans for oil. [3] Corn, sorghum, rye, oats, etc. [4] Sweet and white potatoes. Source: MAF.

crease from the current low levels for wheat, barley, soybeans (for food use), and sugar. During the past 4 years, however, average c.i.f. values of these import products have been well below the Japanese support prices for like or nearest comparable products. Thus, increased self-sufficiency is likely to result in much higher food prices to consumers, who already pay over a fourth of their total expenditures for a diet based heavily on rice.

Only for a final group—peanuts, pulses, oils and fats, and livestock feed—does the study project continued slippage in the self-sufficiency rate. Demand in the feed sector is, of course, closely tied to projected animal numbers. According to the report, sharp increases are expected for beef cattle (up 80 percent) and swine (up 66 percent), with increases for broilers (up 50 percent) and dairy cattle (up 40 percent) also sizable. More modest growth is shown for layers.

Translating the projected increases in animal numbers into feed demand, the Ministry projects an increase of nearly 10 million tons above the 1972 level. Especially significant is the fact that about half of the increase is to come from domestically produced roughage. Concentrate use is expected to rise by only about a third from 15.5 million tons to 20.6 million, compared with a near tripling of volume from 1960 to 1972. Since most concentrates are imported, U.S. producers have a particular stake in the projected volume.

Thus, import demand for feedstuffs should continue to expand, but by an average of only about 400,000 tons per year, versus over 650,000 tons a year during the past decade or more. Although the actual quantitative increase is still substantial, the impressive market growth rate of recent years could slacken.

Japan's rising demand for food, including imported products, stems from a variety of considerations. In the surprisingly short period of 25 years, Japan has shifted from an agricultural to a highly urbanized population. Its transition, during the same period, from a relatively poor status to the world's third largest industrialized country in terms of gross national product is even more remarkable.

The resulting sharp increases in total income have been accompanied by a rapid improvement in per capita con-

Continued on page 28

Japan's Role in Trade Negotiations

International trading has become a way of life for Japan. Twelve percent of the country's gross national product (GNP) is exported and a like share is imported, compared with about 7 percent of the U.S. GNP.

Since Commodore Perry's visit to Japan in 1854, the Japanese, who had insulated themselves from outside influences during the Tokugawa period, have developed trade ties with the Western world that were unimaginable before the Meiji restoration. Today, Japan's economy is heavily tied to trade.

Japan must rely on imports for major items, such as energy and food, to maintain third place among the industrial powers and the high standard of living that the Japanese have attained. To pay for these items, Japan must export finished manufactured products. Thus, Japan has a basic economic interest in the multilateral trade negotiations (MTN), and will be seeking to have import barriers—both tariff and nontariff—against its exports reduced or eliminated.

Japan's MTN Objectives Vis-a-Vis the United States. With a population of 110 million on a limited area and very intensive agricultural production, one of the major goals of the Japanese Government in the MTN is to secure stable supplies of food. Part of the agricultural policy of Japan is to raise its level of self sufficiency.

However, Japan also intends to diversify sources of imports through encouraging new or expanded production in foreign countries and by arranging long-term (1-3 years) supply agreements. Reports indicate that a program of increasing storage capacity will be initiated, including storage facilities in supplier countries.

The Japanese have expressed concern over recent instability in world supply and prices of agricultural goods, and have voiced their intent to support an examination of measures for stabilizing the supply of the main agricultural products to importing countries. One area of study would be international rules on export controls. The Japanese believe access to supplies should be afforded more attention than it has in past trade negotiations.

Japan and the United States are each other's major trading partners. Each supplies the other with about 20 percent of its imports. However, trade interests are considerably different. The United States exports mainly agricultural products and receives manufactured items. Japan has had a favorable balance of trade with the United States for more than 10 years. In 1972 it reached $4.1 billion, and was $1.8 billion in 1974.

Japan's agricultural goals vis-a-vis the United States thus can be expected to focus on access to U.S. supplies, mainly wheat, soybeans, and corn. Japan remembers the temporary export embargo on U.S. soybeans in 1973.

Japan does have some agricultural products that are exported to the United States for which reduced tariff barriers are likely to be sought—mainly Japanese food specialities and processed mandarin oranges.

U.S. Objectives Vis-a-Vis Japan. Even though Japan is the largest agricultural market for the United States—almost $3.2 billion in fiscal 1975—trade barriers to agricultural products are still numerous. The United States will aim at tariff reduction on fresh and processed fruits, vegetables, meat and poultry, selected dairy products, processed foods, and some other products and at elimination of quotas on a variety of products.

Japan's nontariff barriers (NTB's) are a particularly vital sector of interest to U.S. farmers. Quotas on such items as beef, pork, fresh oranges and concentrated orange juice, pulses, edible peanuts, and maple syrup severely handicap U.S. export of these items. Limitations on the number of retail outlets for U.S. cigarettes is another trade restraint, as are certain administrative differences in handling imported products from locally produced items. These are examples of the NTB's on which the United States will seek relief from the Japanese during the negotiations.

Both Japan and the United States have much at stake in the negotiations and each will be seeking to have trade restraints reduced for its principal trade interests.

Stiff Food and Health Laws Impede U.S. Exports to Japan

By WILFERD L. PHILLIPSEN
Former Assistant U.S. Agricultural Attaché
Tokyo

EXPORTING to Japan is not as easy as the country's $3.2 billion import of U.S. farm products might imply. In fact, the country can be a very difficult market to penetrate for exporters unfamiliar with its numerous trade and health regulations.

Although Japan has made steady reductions over the years in such direct trade barriers as import quotas and negative import lists, it subjects most agricultural imports—especially fresh and processed foods—to a number of trade regulations. Some of these control imports of fruits and vegetables from certain areas because of the likelihood of bringing in harmful insects and plant diseases. Others restrict the bacterial content in imported foodstuffs and require preservation of frozen foods at temperatures of no higher than 0°F during the products' entire journey—from processing, through transit, to destination—to prevent the growth of harmful bacteria.

Use of food additives is also closely regulated, as is the information appearing on food-product labels.

The large number of such requirements—suggests that U.S. exporters should pay closer attention to Japanese regulations and procedures as they tread the import clearance trail in Japan.

The importing system. Japan's primary legislation governing imports of agricultural products (and other products as well) includes the Foreign Exchange Control and Foreign Trade Control Law. This legislation and the body of legislation governing its application determine the steps that should be taken for importing goods into Japan.

Five official entities are normally involved in importing goods into Japan: The Ministry of International Trade and Industry (MITI), the Ministry of Finance (MOF), the Customs Service, the Bank of Japan, and authorized foreign exchange banks.

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Applications for foreign exchange, for imports under quota, and other paperwork are handled by an authorized foreign exchange bank. Where import permits are required, as in the case of quota items, the Ministry of International Trade and Industry is responsible for processing the initial quota application. After obtaining a quota allocation, importers apply for an import license at one of the foreign exchange banks.

The actual inspection of goods when they enter Japan is conducted by the Customs Service, which is an agency of the Ministry of Finance but it also receives direction from the Ministry of International Trade and Industry.

The Bank of Japan supervises foreign exchange transactions.

Imports can be divided into two parts:

- Import declaration (ID) items; and
- Import quota (IQ) items.

ID items may be imported in unlimited quantities, and the procedures for import are relatively simple. The importer, for instance, may initiate shipment and report his intentions by filling out an import declaration and submitting it to an authorized foreign exchange bank. Where payment for imports is to be made in foreign exchange, an application for foreign exchange is submitted at the same time.

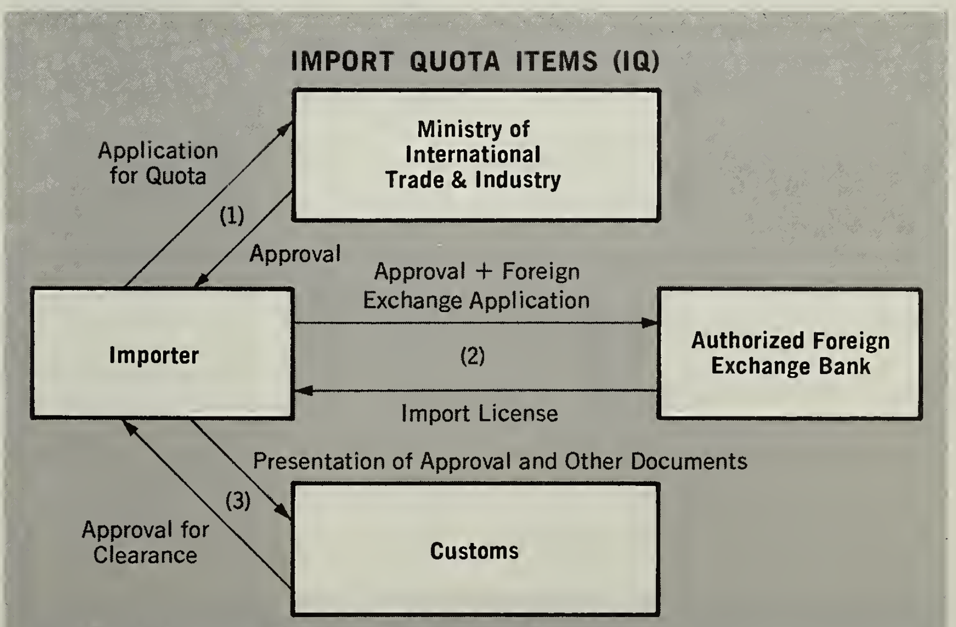
For IQ items, an application must be submitted to MITI for initial approval. That approval, plus a foreign exchange application, is then processed by an authorized foreign exchange bank, which issues the appropriate import license to clear goods through customs.

The normal customs procedure is as follows: After receiving the necessary papers concerning the arrival of a shipment, the importer makes application for customs clearance at the port of entry. Inspection of the product follows. The importer then must pay any import duties or commodity taxes prescribed by law. If import licenses and other papers are in order, the goods are approved by the customs service and may be taken from the bonded customs area.

In addition to import reporting, licensing, and customs inspection procedures, specific legislation governs imports of certain plants and animals and the labeling of certain food products.

Meat and poultry regulations. With the exception of beef and meat offal, which are under an import quota, imports of meat products can be undertaken by any interested party in Japan, provided normal import declaration procedures are followed.

The level of beef import quotas is decided by the Ministry of International Trade and Industry in conjunction with



Source: Ministries of Finance and International Trade & Industry.

the Ministry of Agriculture and Forestry. The Ministry of Agriculture and Forestry then issues import quota allocations to the Livestock Industry Promotion Corporation (LIPC) and to certain domestic processor groups.

The LIPC, the main import route, in turn asks for import orders from importers or trading companies. (The import quota allocations received by processor associations are also submitted to importers and/or trading companies.)

The importers and trading companies chosen by the LIPC or the processor associations then apply for formal quota allocations from the Ministry of International Trade and Industry. Upon receiving the required quota allocation, they apply for import licenses from authorized foreign exchange banks.

Upon arrival in Japan, the beef—or other meat product—goes through regular customs inspection plus a special quarantine inspection. The quarantine inspection requires submission of two meat inspection certificates (MP Form 412-13 and MP Form 412-3). Information required on these includes the number of parcels and their weight and the name and address of the consignor and the consignee. The certificates must also state that the slaughter, cutting, and manufacture were carried out in a sanitary manner and in accordance with the laws of the exporting country.

For meat and viscera products, the certificate must also state the species of animal, the name and address of the slaughterhouse where preparation actually took place, the year and month of slaughter and inspection, as well as the name of the agency and title of the official who conducted the inspection.

For processed meat products, the certificate must show the name of the product and actual meat content. It must also show the name and address of the manufacturing plant and the date of manufacture.

Fruit and vegetable regulations. To prevent foreign plant diseases and insects from entering Japan, the Plant Quarantine Law imposes restrictions on imports of plants and plant products.

These restrictions include:

• Plant must be imported through designated seaports and airports only.

• Plants must be accompanied by a phytosanitary certificate issued by the government of the exporting country.

AGRICULTURAL PRODUCTS UNDER IMPORT QUOTA

Classification and BTN No.	Description of product
Livestock:	
02.01	Beef
04.01	Milk and cream (fresh)
04.02	Milk and cream (processed)
04.04	Processed cheese
16.02	Preserved meat offal of bovine or pigs
Fruit and Vegetables:	
08.02	Oranges and tangerines (fresh)
08.11	Oranges and tangerines, temporarily preserved
20.05	Fruit puree and fruit pastes
20.06	Canned pineapples, fruit pulp
20.07	Fruit juices (except lemon), tomato juice
21.04	Tomato ketchup, tomato sauce and mixed seasonings
Sugar and starches:	
11.08	Starches and inulin
17.02	Grape sugar, etc.
Grain:	
11.01	Wheat and rice flour, etc.
11.02	Wheat and rice groat
Other agricultural and related foods:	
07.05	Small red beans, broad beans, and peas
12.01	Peanuts (except for vegetable oil)
12.08	Tubers of konnyaku (amorphophallus)
21.07	Food preparations of sugar, milk, seaweed, wheat, etc.

Source: Ministry of International Trade and Industry.

• Plants must not be imported through the mail, except in the form of small packets, commercial samples, or through parcel post.

• Plants received through the mail must be reported to the Plant Protection Station and presented for inspection.

The tabulation shows a partial list of items that may not be imported, as well as the insect causing the restrictions:

	Prohibited reasons
Carrot	Burrowing nematode
Potato	Burrowing nematode, potato canker, golden nematode
Sweet potato	Burrowing nematode
Tomato	Colorado beetle, tobacco blue mold
Cabbage	Colorado beetle
Cauliflower	Do.
Eggplant	Tobacco blue mold
Brussels sprouts	Colorado beetle
Broccoli	Do.
Pepper (red & green)	Tobacco blue mold
Turnip	Burrowing nematode
Beet	Do.
Radish	Do.
Horse radish	Burrowing nematode
Apple	Codling moth
Pear	Do.
Quince	Do.
Peach	Do.
Nectarine	Do.
Plum	Do.
Apricot	Do.
Cherry	Do.
Walnut in shell	Do.

The Plant Protection Law is much more detailed than the listing below suggests. Therefore, potential exporters should check the publication, *Plant Protection Law and Enforcement Regulations* of the Ministry of Agriculture and Forestry for complete details if they have any question concerning their specific product.

Each shipment of vegetables, fruit, and plants must undergo inspection. Quarantine authorities are empowered to disinfect or destroy the shipment if it is found to be infested by injurious insects or diseases, or to reject part or all of it.

Imports of fruit trees and certain other plants and bulbs are also subject to inspection after importing. Samples of these are grown at national quarantine farms, or other sites, and careful testing is performed to detect the presence of plant diseases.

Packaging materials are also subject to inspection, and the use of improper chemicals or spray can cause problems.

As with other products, care in the preparation of import documents for fruit and vegetables is essential. The contents of shipments must be accurately described, and key items—such as the name of the carrying vessel—must be properly spelled to prevent confusion.

Processed food regulations. Processed

foods entering Japan are subject to three types of inspection: Examination for bacterial content, testing for chemical content (including food additives), and visual inspection.

The testing procedure is to draw samples of the products from the shipment and conduct tests for bacterial and chemical content. Imported products are also inspected for appearance.

Specific restrictions are established by the Tokyo Sanitation Bureau concerning the maximum bacterial count and the types of bacteria permitted in foodstuffs. For example, the maximum bacterial count per gram, or per milliliter, for frozen fruit is 100,000; for sliced ham and sausage, 500,000; and frozen meats 5 million.

Under the Japan Agricultural Standards (JAS) Law, food placed on the market is also subject to examination on a random basis. Processed foodstuffs must also bear labels.

Labeling requirements. To assist consumers in their evaluation of products, the JAS Law stipulates that certain products must bear labels providing a required list of information. This regulation pertains to imported products as well as to domestically produced items.

Under current JAS regulations, companies producing the items listed in the table below must provide the minimum of information indicated.

Materials added—such as salt, flavoring, or food additives—must be listed on the label by their most common name. Food additives approved for use in Japan may be found in the publication, *Food Sanitation Law: Food Additives in Japan,* published by the Ministry of Health and Welfare.

Manufacturers are specifically cautioned to avoid use of package labeling that contradicts the content of the legally required label. Makers are also cautioned against use of any other information on the package, such as lettering or pictures, that might create an incorrect impression about the item.

Preparation of the label is also subject to regulation. For example, the label must be printed so that the ink used in lettering contrasts with the color of the label itself; the size of letters must be 8 points or greater and of Gothic type; if the product includes food additives, the names of the additives must be printed on a separate line; where the company labeling the product is different from the manufacturer (as in the case of many imported products), the label must show the name of the company actually selling and labeling the product; also, for imported products, the label must state clearly the name and address of the importer and the name of the country of origin.

Labeling requirements for specific products may be obtained from information pamphlets of Japan's Ministry of Agriculture and Forestry.

Common export problems. By far the most common problem experienced by exporters of foods to Japan is the presence of additives prohibited by Japan's food additive regulations. While regulations in this area are very specific concerning which types of food additives may be utilized, in which food products, and maximum amounts, there are several hundred inadvertent violations each year. All food products not in compliance are denied entry into Japan.

As an aid in helping U.S. exporters adhere to Japan's positive list of additives, FAS has established a procedure for submitting product labels to Japan's Ministry of Health and Welfare for an advance opinion concerning the product's importability. The procedure is called the FAS Label Clearance Program. Since its inception, 2,064 product labels from 174 U.S. companies have been examined by Japan's Ministry of Health and Welfare.

Most of the products represented by the labels were found to be eligible for importation into Japan. However, some of them required a change in labeling or a change in formulation before they could enter the country. Others, because of additive problems, were denied entry.

Any U.S. company may obtain additional information concerning the FAS Label Clearance Program by writing to the Export Trade Services Division, Foreign Agricultural Service, USDA, Washington, D.C. 20250.

U.S. exporters are urged to provide complete documentation for all shipments.

JAPANESE LABELING REQUIREMENTS FOR IMPORTED FOOD PRODUCTS

	Name of Product	Date of Manufacture		Place of Manufacture, Name of Importer	Food Additives	Method of Preservation	Raw Materials
		On Label	Stamped				
Margarine	O		O	O	O		
Alcoholic Beverages	O			O	O		
Beverages in Glass Bottles with Paper Stopper	O	O		O	O		
Beverages in Polyethylene Containers	O	O		O	O		
Canned Beverages	O		O	O	O		
Other Beverages	O			O	O		
Ham Sausage, Bacon	O	O	O	O	O	O	O
Fish-Based Hams, Sausage, Whale Bacon	O	O	O	O	O	O	
Lentils Containing Hydrocyoanic Acid	O	O		O	O	O	
Frozen Foods	O	O		O	O	O	
Packaged Meat	O	O	O	O	O	O	O
Packaged Persimmons	O	O	O	O	O	O	
Packaged Uncooked Noodles and Pastas, Lunches, Bread, Fish Pastes, Confectionary Items	O	O	O	O	O		
Other Processed Foods	O		O	O	O	O	O

Source: Tokyo Metropolitan Government, Hygienic Section.

Ocean Transport Is Vital To U.S.-Japan Farm Trade

By THOMAS M. POERSTEL
Export Trade Services Division
Foreign Agricultural Service

Almost every day of the week, a U.S.- or foreign-flag vessel churns out of a U.S. port headed for Japan with a cargo that includes corn, soybeans, processed foods, or other products of U.S. agriculture. As little as 7-10 days later, the ship will arrive in Yokohama, Nagoya, or Tokyo, where the U.S. foods are unloaded to begin the final phase of their journey to Japanese consumers.

The frequency of these sailings continued to increase last year when the United States moved some 16 million metric tons of farm commodities worth $3.5 billion to Japan, compared with just $1-billion worth 5 years ago. This vast trade expansion can be attributed to many factors, but few would question the key role played by increased transportation efficiency.

Over the past 5 years, the rise of agricultural exports to Japan has been paralleled by a technological revolution in ocean shipping. The advent of containerization and other specialized ocean shipping practices has increased efficiency, shortened transit time, and in many cases reduced costs. New and advanced technology in freight handling loading and unloading techniques, and the expansion and improvement of ports has also benefited U.S. movements of farm products, particularly where transport distances are already long, as to Japan.

The vast majority of U.S. farm exports destined for Japan move by sea, with perishable agricultural commodities usually transported in refrigerated containers. Ocean shipments may originate at west coast, east coast, Great Lakes or gulf ports. The carrier used may be a member of an ocean freight conference—in which case rates will be controlled—or operate independently.

Ocean service between the United States and Japan is fast, efficient, frequent, and economical. A U.S. shipper of farm products—whether cotton or grapefruit—can now negotiate a contract secure in the knowledge that the goods will be delivered on time at a reasonable price. Last year, for instance, over 20 U.S.- and foreign-flag carriers provided ocean service to Japan, many on a weekly basis.

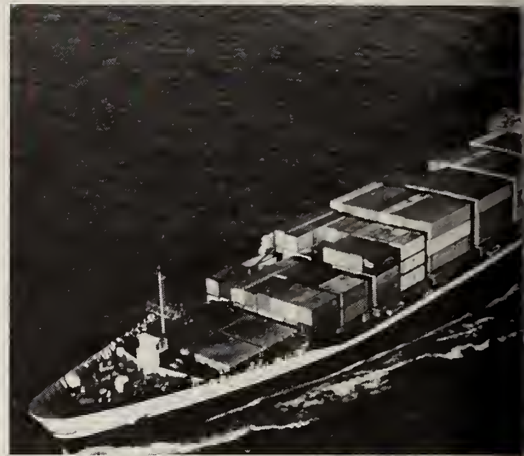
Ocean shipments for Japan originate at all major U.S. ports. On the east coast, ports from Maine to Florida are serviced by approximately four U.S. carrier services. The U.S. service includes huge containerized ships, some capable of carrying as many as 1,040 containers. In addition, nine foreign-flag carrier services, including Japanese, call at east coast ports.

Some carriers that transport farm products to Japan from the eastern United States use the land-bridge system, whereby products are moved over land by truck or rail to California or Washington, rather than via the water route through the Panama Canal. Containerization has facilitated this transport mode, since container units can be interchanged between the different carriers, with little loss of time.

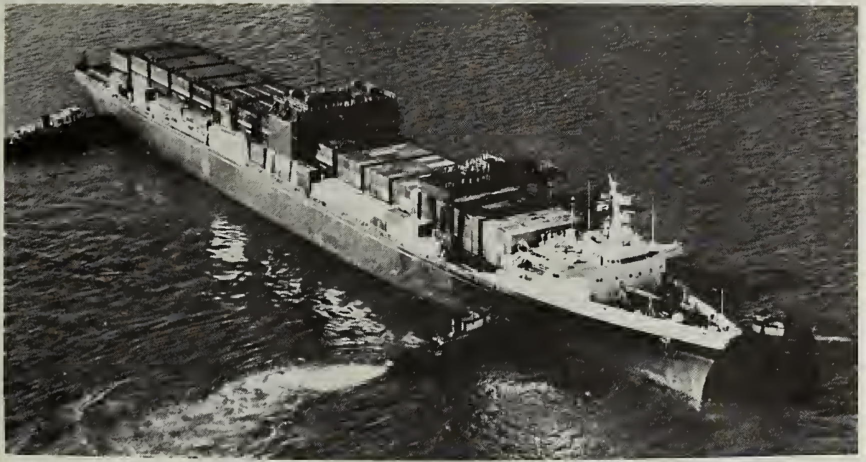
Service to Japan from the Gulf of Mexico, spanning the area from Tampa, Fla., to Brownsville, Tex. is handled by two U.S. flag services and six foreign-registered carriers, Again, the services are primarily containerized.

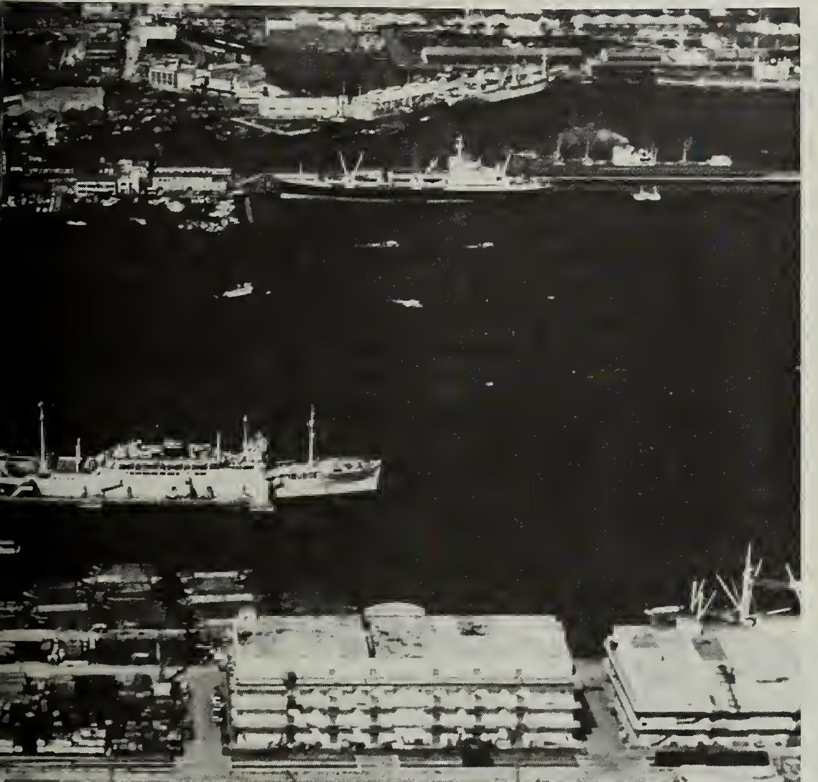
Some U.S. carriers servicing Japan from gulf and other ports use an innovation in intermodal transport known as lash or lighter-abord-ship. In this method, a mother ship carries detachable lighters, or barges, which are shunted by tugboat to or from the ship and shore while the ship anchors offshore. The lighters hold up to 432-847 tons of cargo and are lifted to and from the ship by either an onboard crane or a submersible elevator. Ships can travel at speeds of over 20 knots and carry either bulk or containerized cargoes.

Lash service is particularly advanta-



New techniques in ocean shipping have been a major factor in the rise of U.S. farm exports to Japan. From top right: One such innovation is the Lash or lighter-aboard-ship concept . . . here, lash barges soon will be detached from mother ship for unloading: at left, modern container ship; Yokohama Harbor is a main destination for U.S. ocean vessels; bulk carrier loads grain at Corpus Christi elevator; U.S. container ship headed for Japan.





geous where shallow water exists at a port and conventional ships are unable to dock in the usual maner. Regardless of the port, however, the turnaround time can often be shortened to as little as 8 hours.

As expected, the western United States has the greatest volume of service to Japan. Here, five U.S.-flag and eight foreign-flag carriers, including two Japanese consortiums, call at ports from San Diego, Calif., to as far north as Seattle, Wash. Many carriers have weekly service to major Japanese ports, and the use of ships with speeds of up to 33 knots has cut transit times to 7-10 days. Containers transported from the east coast under the land-bridge system account for a sizable portion of goods transported.

Efficient ocean service to Japan, whether by U.S. or foreign carriers, ultimately depends on the services available at the point of destination, hinging on such factors as time spent awaiting cargo discharge or the ability of port personnel to move cargo inland.

Effective transportation systems also require that traffic be balanced. Thus, carriers' ability to provide efficient, economical services to U.S. shippers to Japan hinges largely on the amount of cargo that the same carrier brings to the United States.

Japan has five major ports: Kobe, Nagoya, Shimizu, Tokyo, and Yokohama. Commodities that are traditionally transported break bulk or by container are generally discharged at Yokohama, Nagoya, or Tokyo, where carrier service is more frequent.

At the port of Yokohama, facilities include six container piers and one lash pier. The container piers have heavy-duty gantry cranes for lifting containers to and from the ships.

Nagoya has three piers, two container and one roll-on/roll-off. Under the roll-on/roll-off concept, containerships carry whole trailers including bogies, swiveling-trucks, or any vehicle with wheels that can be moved aboard and tied down. Thus, the roll-on/roll-off pier includes a special span that acts as a ramp between ship and shore for transferring rolling equipment to and from the ship.

Tokyo also has seven container piers, but, as at other Japanese ports, the introduction of new concepts such as lash are being plagued by obstructive labor regulations. Two tugboats, for

example, are required to move every barge. Also, night loading or unloading of lash cargo is prohibited, yet containers can be loaded or discharged 24 hours a day. And lash barges must be fully unloaded at one port, instead of partially discharging, then moving elsewhere to continue unloading.

Over 90 percent of the carriers serving between the United States and Japan are members of ocean freight-rate conferences. These are multinational organizations whose role it is to protect that trade. Conference carriers servicing east coast and gulf ports, for example, are members of the Far East Conference, with headquarters in New York City, which consists of six U.S.-flag carriers and a number of foreign-flag carriers. The Pacific Westbound Conference, based in San Francisco, includes five U.S. west coast carriers, plus a number of foreign-flag lines.

All freight rates charged to shippers by carriers that are conference members must be agreed to by the membership and filed with the Federal Maritime Commission, the regulatory agency responsible for rates, charges, and rules pertaining to ocean carriers' services to shippers. Although conference shipping rates are fixed, freight rates for the movement of different commodities from various points in the United States to Japan can vary widely.

Many terms and conditions bear on the establishment of a freight rate, so that the variance in the cost per container is great. A shipper of fresh oranges, for instance, would not necessarily expect to pay the same amount as a shipper of frozen pork, a commodity that does not require quite as highly controlled conditions.

For example, port-to-port rates to shippers for 35-foot containers of frozen pork, fresh oranges, or canned goods from the east coast/gulf or west coast ports might be as follows: For frozen pork from east cost/gulf ports, $2,100 per container, from west coast ports, $1,950; fresh oranges, $2,600 and $2,450 per container, respectively; and canned goods, $1,850 and $1,350.

Shippers or exporters who are concerned with the level of freight rates can apply to the Conference or to an independent carrier for either an adjustment in the freight rates or the establishment of a new one. This procedure is particularly applicable where a commodity is new to the international market. The Conference chairman can provide guidance on proper format for initiating a rate change.

Shippers or their freight forwarders should be aware of rate requirements when dealing with Conference carriers. A U.S. Government publication, *Ocean Freight Rate Guidelines for Shippers*, provides useful information on the role of the Federal Maritime Commission in rate regulation. The booklet can be obtained from the U.S. Government Printing Office or the Export Trade Services Division, Foreign Agricultural Service.

In addition to the established conferences, there are a number of other carriers trading between the United States and Japan, which are listed as independents—that is, nonmembers of a Conference either voluntarily or at the will of the Conference members themselves. Third-flag nonconference service to the Far East is a concern to the maritime industry because of its long-range effect on the U.S. merchant fleet and the already over-tonnaged situation in the Pacific.

Independents or non-conference carriers often charge lower freight rates, although rates are not always of first consideration in freight movements. Other factors of concern to shippers are reliability, dependability, and the frequency of service of the carrier. Such service is particularly essential to agricultural products that require controlled or protected conditions to assure that they arrive at their destination in the same condition as when delivered to the carrier.

Bulk agricultural products—corn, wheat, and soybeans, for example—are transported to Japan from the United States by bulk vessels called tramps or tankers. Such vessels, which follow no particular routes, are operated mainly as charters, and have capacities from 15,000 to over 30,000 tons.

The vessels are loaded from pierside elevators located in the gulf and northwest Pacific ports. The bulk of U.S. corn is shipped from New Orleans; the wheat from western gulf ports and the Pacific northwest. The major port receiving this cargo is Yokohama.

The cost of transportation for the movement of heavy cargoes is in no way comparable to the freight rates charged nonbulk shippers. Rates on bulk cargoes are negotiable, and the ability of the shipper to negotiate effectively with the carrier determines the level of most charter rates. Obviously, the level also depends heavily on conditions in the world market at the time of the charter.

JAPAN: CAPACITY AND FACILITIES OF MAJOR PORTS

	Piers			Cargo Volume						
Port	Number	Length	Depth Alongside	1973 Actual	1974 Estimate	1975 Forecast	1973 Actual	1974 Estimate	1975 Forecast	Cranes
	Units	*Feet*	*Feet*	*Units* [1]	*Units* [1]	*Units* [1]	*Metric tons*	*Metric tons*	*Metric tons*	*Gantries*
Kobe:										
Container ..	9	8,626	32-39	693,279	([2])	([2])	10,116,114	([2])	([2])	1 Mitsui 25-ton 1 Kawasaki 30-ton 6 Mitsui 35½-ton 4 sumitomo 35.6-ton 4 Kawasaki 35.6-ton
Lash	1	1,320	36							
Nagoya:										
Container ..	2	3,187	33-39	72,000	([2])	([2])	1,100,000	([2])	([2])	2 Sumitomo 37½-ton
Ro-ro	1	981	39	2,600	([2])	([2])	—	([2])	([2])	3 Mitsubishi 45-ton
Lash	—	—	—	1,000	([2])	([2])	15,600	([2])	([2])	7 37.5-ton
Tokyo:										
Container ..	7	4,573	33-39	250,000	([2])	([2])	([2])	([2])	([2])	1 30-ton gantry
Yokohama:										
Container ..	6	4,419	33-39	357,205	366,698	377,699	4,580,000	4,742,590	4,932,294	9
Lash	1	653	33	4,253	2,886	3,570	66,044	44,733	54,335	

[1] In 20-foot equivalents. [2] Not available.

Japan's Food Distribution Chain Long and Complex

THE JAPANESE distribution system is receiving increasing attention, not only from U.S. businessmen who cite its awkwardness as a barrier to sales of U.S. products, but also from the Japanese Government, businessmen, and consumers.

U.S. businessmen—particularly those new-to-market or contemplating entering the Japanese market—are understandably baffled as to how to distribute their products most efficiently. Even for U.S. firms with solid international experience, it is no easy task to determine the best approach.

Japanese distribution systems vary by commodity, industry, and company, but one generalization holds throughout—distribution channels are too long. As a result, retail prices are often so high that sales of U.S. products that start on a cost-competitive basis are blocked, or seriously limited.

Historically, the Japanese wholesaling system consists of three levels between manufacturer and retailer: the so-called primary, secondary, and tertiary wholesalers. The primary wholesaler, usually located in Tokyo, accepts all of the manufacturer's output, and forwards the goods to the secondary wholesaler, located in regional commercial centers such as Osaka.

The secondary wholesaler, in turn, forwards the goods to the tertiary wholesaler, who is responsible for distributing goods to retailers within a limited geographical area.

This triple-layered wholesale system arose because of the difficulty of communicating and transporting goods over long distances in earlier days, and because of the large number and small size of most retail outlets.

A number of factors serve to retain participants in this chain, whose cost is no longer justified by its economic contribution. Values placed on established business and personal relationships, for example, retard shortening and rationalization of the system.

Retailing in Japan has traditionally been of two types: small neighborhood stores handling a limited line of products, and department stores.

Even with the increased importance of self-service and department stores, the neighborhood store shows considerable tenacity as an institution. This is largely due to established patterns of daily shopping, traffic and parking problems associated with more distant shopping, limited ownership of home freezers, high real estate costs that limit construction of U.S.-type shopping centers and malls, and advantages of Japanese tax laws for small shop owners.

Yet self-service stores, including supermarkets, continue to grow, and in 1972 accounted for 10 percent of total retail sales. Self-service stores have been markedly successful in simplifying the distribution channels through which they receive their goods.

Department stores, which accounted for 12 percent of total retail sales in 1974, have also moved in several directions to reduce distribution costs

This article is based on a study conducted by Thomas Parker, Jr., Economic/Commercial Officer, U.S. Embassy, Tokyo. Many conclusions are based on interviews with U.S. businessmen successful in distributing their products in Japan.

U.S. grapefruit arriving in Tokyo, left, is about to begin its journey through the complex Japanese food distribution chain, one step of which may be the Tokyo fruit and vegetable wholesale market, above.

and rationalize buying methods—central purchasing offices, joint buying associations, and promotion of their own brand-name products.

Trading companies, which account for the bulk of the value of Japanese imports and exports, have also realized the limitations placed upon their own operations by the existing distribution system. They, too, have taken a number of steps to modernize and rationalize the distribution system. These include investing in and financing a range of storage facilities; establishing specialized frozen food storage and distribution facilities; and constructing shopping centers.

The Japanese Government, concerned by upward pressure on consumer prices exerted by the high cost of distribution, has taken a number of measures to improve the system.

The Ministry of International Trade and Industry (MITI) is encouraging the introduction of modern machinery, as well as standardization and computerization of paperwork associated with distribution; mergers of existing distribution firms; and more rational location of new distribution facilities.

MITI also works with local banks to provide guidance and low-interest loans for these projects; conducts case studies on distribution; publicizes discount and rebate systems used in Japan; and was instrumental in setting up the Tokyo Merchandise Mart.

The Ministry of Agriculture and Forestry conducts research on distribution, promotes mergers among smaller wholesalers, and works to establish more central wholesale markets.

With the Japanese distribution system experiencing a widespread transformation, the task for the potential and new-to-market U.S. exporter is complicated. As he learns the complexities of a new distribution system, he finds that the system itself is changing.

Businessmen who have already registered successes with their distribution arrangements have offered several recommendations for others to capitalize on the changes taking place. These include:

- Businessmen should not look on the Japanese market as impenetrable, but should view it as a potentially large market for many American goods. The interest of the Japanese people in American goods is great. Their increasing affluence and the effects of the yen revaluations bring more and more American products within reach of their financial resources.

Perhaps most important, the attitude of Government and business circles towards importing foreign goods strongly indicates that future U.S. attempts to sell in the Japanese market will be successful, given a reasonable effort on the part of U.S. exporters.

- Businessmen should make a vigorous effort to inform themselves about the Japanese distribution systems for their particular product. Sources of information are numerous: the U.S. Embassy in Japan, American businessmen now in Japan, banks (both American and Japanese), trading companies, wholesalers, and retailers' associations. Of course, some sources cannot be expected to disclose operational details to potential competitors; but many will speak generally.

Additionally, the Japan External Trade Organization (JETRO) publishes a series of 13 English language booklets on marketing and distributing in Japan. These cover areas such as: Japan as an export market, trading companies, retailing, pricing, promotion, distribution, and import and marketing regulations. Single copies are available without charge from Japan Trade Center offices in San Francisco, Chicago, New York, Houston, or Los Angeles. Private research organizations and professional marketing consultants can also serve as guides to entering the Japanese market.

- During the process of information collection, the prospective exporter might consider the following:

Where should the product be sold? If the exporter uses only the large retail outlets, such as department stores or self-service stores, he may simplify his distribution problems, but he will limit the market for his products. Conversely, planning to sell more widely through the smaller retail outlets will complicate distributions.

What role can a trading company play? These companies, which vary tremendously in size and specialization, often have huge financial resources and extensive knowledge of marketing and distribution methods, so that this approach might result in larger initial sales of the product. The marketing efforts expended by the trading company will depend largely on the short- and long-term profitability of the product, whether the trading company has exclusive distribution privileges, and other factors agreed to in the contract.

Should the American company establish its own importing and wholesaling subsidiary, and then work to develop its own distribution channels? This is probably the most difficult and costly alternative, and has been used successfully by only a few large international corporations.

Another important question will be whether the wholesalers have existing business relationships with the kinds of retail or secondary wholesale outlets in which the U.S. firm wishes its products to be sold. Established business relationships are important to the Japanese, and the choice of the wrong wholesaler will prevent, at least initially, the American goods from reaching the desired retail outlet.

One approach to this problem is to work backward from the retail outlets through their suppliers to the U.S. subsidiary. Of course, new commercial relationships can be established between importers, wholesalers, and retailers, but this takes time and effort, and the terms of the new relationships are usually less favorable than those of established relationships.

Can the best of American and Japanese methods be combined to good effect? Americans will encounter resistance in attempting to implement substantially different distribution systems. Even change by degrees takes time, although it has been accomplished successfully by both American and Japanese firms.

- American businessmen must realize that substantial expenditures will be required. Advertising in Japan is essential for a new product, and is very expensive. Credit will have to be extended to wholesalers, and this will involve large initial outlays before revenues begin to come in.

One view is that it is simply not feasible for any but financially strong American firms with products having high sales potential to attempt to set up independent distribution channels, and that most firms should be content to work through existing importers and trading companies. Of course, this is a question which each company must decide for itself.

Japanese Eating Habits Are Changing, But Slowly

By ALAN K. HEMPHILL
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An eating revolution is taking place in Japan, albeit gradually, which seems sure to influence the composition of U.S. food exports to this prime market for farm products.

A variety of changes are underway. For one, Japanese are eating a better balance of foods, shifting slowly from heavy eating of carbohydrates, including rice, to increase their intake of animal proteins. While average caloric intake has risen relatively slowly—growing from 2,293 calories per person per day in 1960 to 2,526 in 1973—the mix of foods going into average diets has changed dramatically.

This is borne out by examining the changes in Japanese diets on a caloric basis that occurred between 1960 and 1973. In 1960, for example, the average Japanese consumed 1,527 or two-thirds of his daily calories in the form of cereals or potatoes. By 1973, fewer of these high-carbohydrate foods were being eaten; the average intake dropped to 1,240 calories—half of the daily caloric intake.

As total caloric intake rose and carbohydrate-eating declined, the dietary gap was filled by uptrending consumption of many other foods. Calories from fruits and vegetables rose from 113 to 149 during the period; those from fats and oils grew from 107 to 271; and those from other foods, excluding fish, meat, and animal products, rose from 374 to 520.

Meanwhile, a significant change was occurring in the meat and fish sectors, both of which were advancing—but by notably different levels. Fish and other seafood remained the single largest protein source, although consumption rose at a much slower pace than that of meats and animal products.

The Japanese have always been highly dependent on fish and other seafood—shellfish, eel, octopus, and other products—to fulfill their protein needs. Annual per capita consumption (edible basis) is now 76 pounds a year—a level 15 times the per capita consumption of beef. In terms of calories, daily intake from fish edged up from 87 to 99 between 1960 and 1973.

During these same years, calories from animal products—meats, milk and products, and eggs—literally soared, however, rising from just 85 in 1960 to an astonishing 247 in 1973.

Within the category of animal products, consumption growth has varied widely. During the 1960's, dairy products, meat, and eggs all showed strong growth. But by 1970, the advance had slowed, as consumption of eggs began to decline, milk consumption slackened, and only meats retained their strong growth.

This pattern continued until 1974, when the growth of meat consumption almost stopped—a situation attributed to the short-term effects of inflation and the economic slowdown on the competition for disposable incomes.

Considered on an annual basis, Japanese consumption of eggs mounted from 11 pounds in 1960 to 33 in 1970, dropping back to 32 in 1973. Milk and milk product consumption was 49 pounds, 110, and 117, respectively. In sharp contrast, meat consumption—mainly poultry, pork, and beef—surged from 11 pounds to 29 and then to 36 by 1973, according to Ministry of Agriculture and Forestry calculations on a boneout basis.

Within the meat sector, consumption growth patterns varied widely, with poultry and pork leading the way. Poultry meat was virtually unknown to the Japanese in 1960, as evidenced by the annual per capital level of less than 1 pound. Since then, the broiler industry has become firmly established, with a parallel growth in consumption to 8 pounds in 1970 and 11 in 1973.

Pork, while slightly better known in 1960 with 3 pounds per person consumed annually, also gained in popularity to 10 pounds in 1970 and 14 by 1973. These consumption rises were accompanied by a parallel growth in feedstuff imports, mainly from the United States, since poultry and swine consume approximately 80 percent of mixed feeds in Japan.

Virtually all lamb and mutton eaten in Japan are imported, and no quotas or tariffs limit their import. But consumption of both is exceedingly low. Mutton use is confined largely to processed meats, and per capita consumption, which was less than half a pound in 1960, grew to only 2 pounds in 1970 and 3 in 1973. Since then, even this low level has receded, since pork is being substituted for mutton in processed meats. Lamb consumption is also low, but some exporters believe the market has considerable potential for development and expansion.

Japanese consumption of beef has risen slowly, largely because domestic producers have not been able to match the levels of efficiency achieved by the poultry and swine industries—despite their high dependence on imported feeds. Between 1961 and 1974, for example, beef production fluctuated between 143,000 and 290,000 metric tons annually, while pork output swelled from a low of 206,000 tons to 950,000, and poultry meat from 97,000 tons to 740,000.

Strict quota limitations are imposed on beef imports, which, coupled with a 25-percent import duty, shield domestic producers from world competition. This protection was dramatized last year when the Government of Japan canceled quotas for 40,000 tons of beef that had been authorized for Japan fiscal year 1973/74 (March-April). Imports plummeted from 127,224 tons in 1973, of which 9,527 tons was from the United States, to 53,603 tons in 1974—7,712 from the United States. Even this level, however, was a giant leap from the 5,360 tons imported in 1961, which included just 8 tons of U.S. beef.

In June 1975, however, Japan again began issuing import quotas, which totaled 34,139 tons for the June-September period. An additional quota may be announced this month for the October-November period.

In 1960, the average Japanese consumed nearly 3 pounds of beef annually. While this increased to 4 pounds in 1970 and 5 in 1973, the growth of per capita consumption in the past year has slowed slightly. This is, of course, a result of the high rate of inflation, eco-

nomic slowdown, and reduced purchasing power, all of which have encouraged a shift to lower priced meats and other foods.

The slow growth of beef consumption in Japan can be attributed not only to the high price of beef, but also to its "higher price image," so that many consumers consider beef a luxury. Beef, and to a lesser extent other meats, suffer the disadvantage of being considered primarily as expensive seasonings by Japanese cooks.

Under current economic conditions, the price advantage enjoyed by meats other than beef influences consumer choices. Typical retail prices for beef, pork, and poultry have recently ranged from \$5-\$8 a pound for beef, to \$2.50-\$3 for pork, to \$1.50-\$2 for poultry meat.

Meats are also somewhat less readily available than other foods. Chicken, pork, and beef, for example, are sold at fewer shops than is fish. Meats are most readily found at department store food sections and supermarkets.

Traditional food habits and attitudes also influence consumption levels. In the United States and many other countries, meals are usually meat-centered. In planning meals, the food shopper first considers the type of meat to be used, and then which cut of meat fits the budget and the dish. In Japan, the decision centers on the type of fish to be used and how it will be served.

Recently, the Agricultural Administration Deliberation Council, an advisory organ to Japan's Ministry of Agriculture and Forestry, developed a forecast for 1985 that included consumption and production trends.

Their "long-range prospects" for consumption in 1985 include the following: Consumption of rice will stabilize, fish will increase to 89 pounds a year, that of eggs will remain approximately the same at 33 pounds, that of milk and dairy products will increase to 143 pounds, and that of meats will rise to 41 pounds.

For meats, a computed average annual increase was developed—3 percent for beef, 2 percent for pork, and 1 percent for chicken. Because of the rapid growth over the past 15 years, however, many believe that these consumption forecasts are conservative and are a result of the attention currently being focused on obtaining a high rate of domestic self-sufficiency.

Clockwise from right: Japanese children enjoy breads, probably made from U.S. wheat, although carbohydrate consumption is declining; chef prepares recipe using noodles—still an important item in traditional diets; large, modern supermarkets, such as this Tokyo store, offer a wide variety of foods; Mister Donut and other Western-type restaurants are increasingly popular with the Japanese; shoppers inspect U.S. grapefruit—benefiting from rising fruit and vegetable consumption.

Food Traditions Still Strong

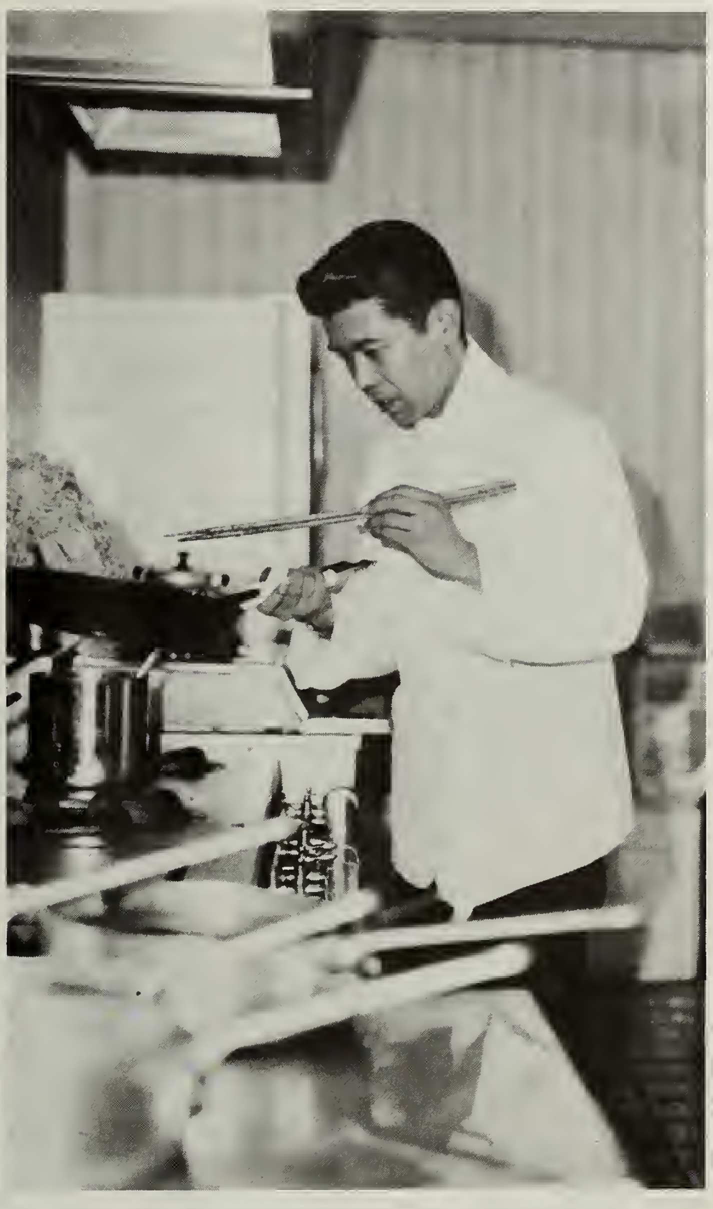
Although Western-style foods—hamburgers, fried chicken, doughnuts, and pizzas—are gaining a toehold in Japan, traditional foods, the product of centuries of custom, still dominate Japanese eating. Consumption habits have been the backbone of demand for U.S. farm products, since Japan must import nearly half of its food needs.

In Japan, higher incomes and other social changes are spearheading a dramatic rise in restaurant patronage. Breakfast and sometimes dinner may be the only meals consumed in the home. Recent statistics show that the average Japanese eats one out of every 10 meals outside the home—a ratio that may rise to one in five in the next few years. (See *Foreign Agriculture*, August 19, 1974.)

Whether in a Japanese-style restaurant or at home, however, the typical Japanese, seated on cushions around a low table, consumes meals that are different indeed from Western fare.

For breakfast, for instance, the menu may include a traditional *miso* soup (a fermented soybean paste mixed with hot water), dried seaweed to be wrapped around rice and dipped in *shoyu* (soy sauce), small side dishes of pickles, fish, or other tidbits, and always, green tea.

Japanese businessmen, as well as housewives, are likely to lunch at one



of Japan's many small specialty restaurants. A typical meal—quick and inexpensive—could be a steaming bowl of thin Japanese noodles, flavored with meat or fish broth. A common and picturesque sight on Tokyo streets is the adroit noodle deliveryman, bicycling calmly through swirling traffic balancing trays laden with bowls of noodles—a chief end-product, incidentally, of imported U.S. Durum wheat.

On a weekday, the typical Japanese businessman will probably also eat his dinner in a restaurant, bar, or cabaret, particularly if he is entertaining friends or associates. At last count in 1972, Japan had about 484,000 restaurants of all types, and foods from all over the world can be found in the larger Japanese cities. Although restaurants serving Western-type foods have shown the fastest growth rates in recent years, traditional restaurants still dominate. Here, food variety is enormous, but could range from *suki yaki* to shrimp *tempura*, served with numerous side dishes, and almost always, with rice.

At home, too, the evening meal is almost sure to be rice-centered, with side dishes of fish, poultry, meat, or vegetables, to be dipped with chopsticks into a tasty flavored broth or oil. Fruit and a Western-style salad, arranged with flower-like precision, will accompany the meal and *sake* (rice wine) may be served.

Obviously, rice is still the mainstay of Japanese eating, providing about a third of all calories consumed daily. And rice is probably the only product purchased in bulk by the Japanese housewife, who usually buys 22 pounds at a time. For many Japanese families, the first activity in the early morning is to plug in the electric rice cooker, since rice—hot or cold—will probably be served with every meal.

Ninety-five percent of Japanese housewives shop for food daily, usually at small grocery stores located within a block or two of their homes. Purchases are small-scale by Western standards and may include just one stalk of celery, two or three shrimp, half of an onion, and a small carton of *tofu*—a soybean cheese—depending on the day's menu plan. In meal preparation, it has been said that the Japanese first consider appearance, then taste, and lastly, nutrition. An awareness of good eating habits is evolving, however, especially in modern, urban households.

—By A. E. GOURLEY, FAS

U.S.-Style Feedlots Are Success Story in Japan

By HAROLD D. SMEDLEY
Asian Director
U.S. Feed Grains Council

THE U.S.-STYLE feedlot seems headed for a takeoff in Japan—a development that will help to fill growing Japanese demand for meat and could enhance U.S. sales of feed ingredients—corn and soybeans. The feedlot concept is also attracting the attention of Japanese corporations, many of which are entering the beef industry for the first time, and on a larger-than-normal scale.

Underlying the growing interest in intensive beef finishing is the success of the Takamaki model feedlot, completed in 1973 as a demonstration project between the U.S. Feed Grains Council (USFGC) and Daiei, Inc., Japan's largest supermarket chain. Impressed by its efficiency, many Japanese feeders have already adopted some of the feeding and management practices demonstrated. Also, capital investment in new facilities—based on the Takamaki project—is booming, far exceeding original expectations.

In the Takamaki model feedlot, the overall objective was to switch from traditional Japanese cattle feeding practices to U.S. methods, and to compare results.

U.S. feeding standards and methods are at the heart of this systems approach to feedlot management. Computer technology is applied in formulating least-cost, high-energy rations. All nutrients are contained in one complete feed, characterized by high-energy grain and minimum roughage. Feed is delivered in bulk and mechanically fed on a free-choice basis four times daily.

Located in Kyushu in southern Japan, the feedlot's capacity is 800 head, with design capability to expand in increments of 800. The facility contains only Japanese cattle—Black Wagyu, Brown Wagyu, and Holstein—housed in 16 pens of 50 head each. Most recent data show that cattle in seven of the 16 pens gained an average of 3.01 pounds per day, compared with an average daily gain of about 2 pounds per day in better managed Japanese feedlots. To maximize weight gain, all cattle are now backgrounded prior to being placed in the feedlot.

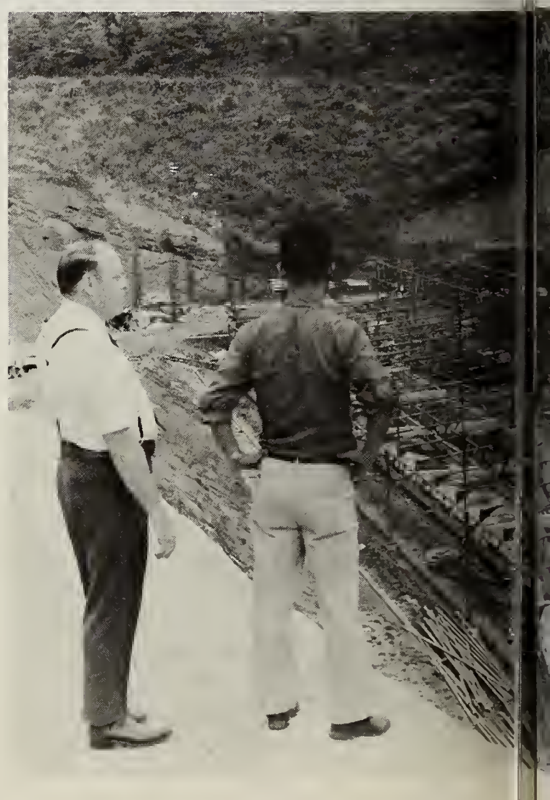
The Takamaki concept represents a complete U.S. technology transplant adapted to the special conditions of Japan. For example, it was designed specifically to function in the annual 100 inches of rainfall. Limited land availability and high rainfall also dictated that the facility be designed with an integrated waste management system.

Electro-mechanical scrapers remove waste from below slotted floors for collection in a contained storage reservoir. Daiei Central Ranch Company contracts to spray liquid manure on nearby grass and potato fields. During the first year of operation, about 6,000 metric tons of liquid waste were sprayed. Contracting farmers reported that yields increased by up to 20 percent, with considerable savings in cost, compared with commercial fertilizer.

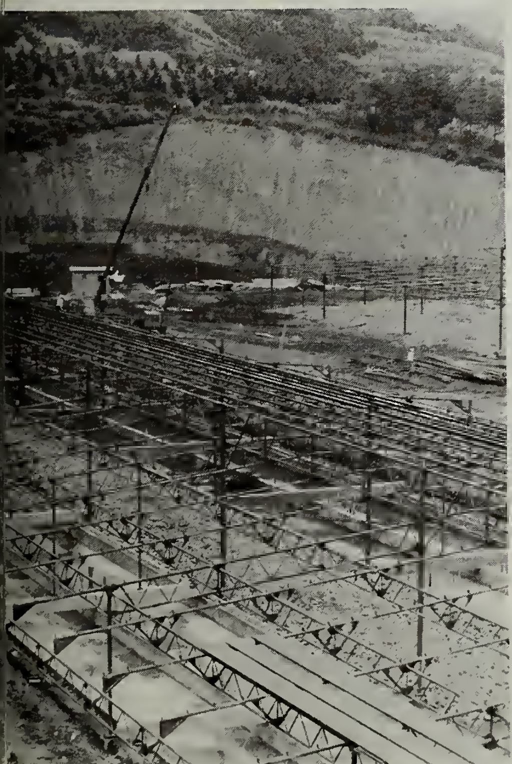
The Honda Research Farm, a subsidiary of the Honda Motor Company, recently completed a similar feedlot on 375 acres at a cost of $750,000. Maximum capacity of the facility is 200 head, but plans call for using the facility as a demonstration unit and contracting for an additional 10,000 head from local farmers.

To supply the additional feed required, Honda is constructing three special vessels to transport automobiles to the United States, with a return capacity of some 36,000 metric tons of corn and sorghum per vessel per trip. This represents the equivalent of about 830,000 tons of mixed feed annually.

Further, Dainakonoko Agricultural Cooperative has completed construction of seven feedlots, each with a 200-head capacity, based on the USFGC's model feedlot design. Located south of Tokyo on Honshu, these facilities are representative of Japanese trends in beef cattle feeding—that is, toward fewer, larger, and more efficient production units.



U.S. technical advisor, top, surveys Holstein bull calves at the Takamaki feedlot, a demonstration project that is spurring Japanese interest in beef feeding. Japanese visitors to the feedlot, left, examine rations. Many Japanese feeders have already adopted some of these feeding and management practices. Shown under construction, below, the feedlot has a capacity of 800 head.



A new program to demonstrate optimum techniques for raising dairy feeder calves has been initiated by the Council, and is aimed at reducing high Japanese dairy calf mortality and morbidity rates. Industrywide, mortality rates now average between 10 and 15 percent, with morbidity ranging widely between 40 and 75 percent.

Under the project, demonstrations are underway at several locations on Hokkaido in northern Japan to show practices that will help to control calf mortality and morbidity. To date, Japanese dairy farmers have shown high interest in the program, which could lead to significant growth of the country's breeder calf industry.

In sharp contrast with declining beef cattle numbers, Japan's dairy cattle population increased steadily during the 1960's. Now, as much as 40 percent of Japan's total beef output comes from slaughter of dry dairy cows. Government projections forecast that dairy beef cattle, which number some 1.7 million head, will be increasingly important in satisfying the country's accelerating demand for beef.

On the other hand, Japan's beef cattle population, which consists primarily of Black and Brown Wagyu, has declined to 1.8 million head from a peak of 2.7 million in 1956. The downtrend is largely due to the combined effects of mechanization of agriculture, migration of farm labor to cities, and the small scale of farming operations. Further, the industry has been plagued by a falloff in breeding cows, as well as female calves, which are sold for slaughter when market prices are strong.

Beef cattle finishing is also hampered by geographic and demographic extremes in Japan, which has about the same land area as Montana, but a population half that of the United States. Since land is at a premium, environmental concerns are extremely important. Thus, development of new beef finishing facilities, as well as expansion of existing ones, are subject to close scrutiny for pollution control.

Despite these obstacles—declining beef cattle numbers, ecology, and rising feed costs—Japan appears to be directing the necessary expertise toward attaining a much higher degree of self-sufficiency in beef. Technology is now available, for example, to overcome these roadblocks through efficient confined cow/calf production, waste man-

Continued on page 32

U.S. Foods Made Hit at Osaka Exhibit In August

JAPANESE FOOD trade officials who attended the American Food Festival in Osaka, August 5-9, had the opportunity to examine 1,000 U.S. food products from 16 States, including more than 100 items new to the Japanese market. The visitors seemed to like what they saw since they placed floor orders for $1.4 million and are expected to place orders for an additional $20 million worth over the next 12 months.

The exhibitors, who manned 58 exhibit booths, were pleased that most of the visitors were food executives. Invitations were generally limited to key Japanese industry and Government people concerned with food importing.

The Food Festival—the first large "all-U.S." food exhibition ever held in Osaka—was sponsored by USDA's Foreign Agricultural Service and the Japan External Trade Organization (JETRO). Most of the products shown at the Festival were processed and consumer-ready items, and many of these were prepared and served at the booths.

Meat and poultry products drew major attention. Five companies exhibited beef and pork, four exhibited poultry and poultry products, and three offered processed meats. The American Soybean Association—an organization of U.S. producers and processors and an FAS cooperator—offered samples of imitation meats made of textured vegetable protein.

In addition, other exhibitors also displayed a wide variety of U.S. fruits, nuts, and vegetables, such as avocados, walnuts, almonds, and peanuts, and prepared food products including canned peas, lentils, salad dressings, jams, jellies, spices and a variety of other products. Nine firms exhibited frozen products—chicken, turkey, beef cuts, potatoes, carrots, corn, peas, and mixed vegetables. Eleven exhibits included fish products in one form or another—in recognition of Japan's high per capita consumption of fish.

Clockwise from below: Attendant at American Food Festival in Osaka, August 5-9, distributes U.S. food products from an exhibitor's booth; full plates and crammed notebooks indicate interest in U.S. texturized soy protein; prospective buyer checks out American processed beef and chicken products; and small Japanese miss enjoys U.S. cold drink.

In addition to the private firms, three regional marketing organizations were represented at the food show. These were the Mid-America International Agri-Trade Council (MIATCO), the Southern United States Trade Association (SUSTA), and the Pacific Northwest International Trade Council (PNITC) representing these areas.

Japan has been a major target of these organizations for several years because of its economic growth and its continued position as the No. 1 overseas market for U.S. agriculture. Between 1971 and 1974, U.S. farm product exports to Japan grew from $1.1 billion to $3.5 billion.

Bulk commodities—soybeans, grains, and cotton—make up the dominant part of these exports. Nevertheless, U.S. processed and consumer-ready items exported to Japan have grown from only $74 million in 1971 to $197 million in 1974.

Japan's Textile Industry: A Dependable U.S. Customer

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THE JAPANESE textile industry, long recognized by U.S. cotton exporters as a dependable customer as well as an important one, is demonstrating anew its dependability by following through assiduously on contracts to buy U.S. cotton at prices generally higher than market prices that prevailed at delivery time.

The current situation thus is basically the reverse of market conditions in 1973/74, when U.S. cotton suppliers delivered quantities stipulated in contracts although market prices later increased prior to delivery.

Japan's textile industry also has been hard hit by reduced domestic sales in the face of expanding textile imports and declining exports. When the industry recovers, however, it appears certain that U.S. cotton will maintain its strong position in the Japanese market, based largely on the confidence developed between the U.S. and Japanese cotton industries over a long period of time and reinforced during the past few years.

Japanese cotton buyers entered into some large forward contracts at fairly low prices in 1973. Then, when world cotton supplies tightened and prices rose, U.S. exporters met their supply commitments—a situation that greatly benefited the Japanese textile industry. This situation, combined with the buying boom related to the world oil supply problem and fear of higher prices, put the Japanese cotton industry in a strong profit position.

As concern mounted over the world cotton supply situation, Japanese importers in 1974 again made forward purchases for large quantities of U.S. cotton this time at fairly high prices. But subsequent worldwide economic difficulties adversely affected textile demand, and cotton spinners were faced with overproduction, growing stocks, and heavy cotton purchases.

Nevertheless, Japanese importers have made great efforts to see that their contracts with U.S. cotton shippers have been carried out to the letter, thus establishing their dependability as good customers even more firmly.

In the 10-month period August 1974-May 1975, Japan imported 928,853 bales (480 lb net) of U.S. cotton, compared with 1,323,462 bales in the 12-month period beginning August 1973, 966,523 bales in 1972/73, and 758,342 bales in 1971/72. The U.S. share of the Japanese cotton market in 1973/74 (August-July) was 35 percent, the largest of the past 10 years, compared with 25 percent in the previous year.

Japan's textile industry has coped with at least six economic recessions in the past 30 years, but the present one is unique in that the industry now faces growing competition in home markets as well as in world markets.

Imports of textile materials and products in 1973 were nearly double the value of the previous year, and resulted in a deficit balance in Japan's textile trade for the first time.

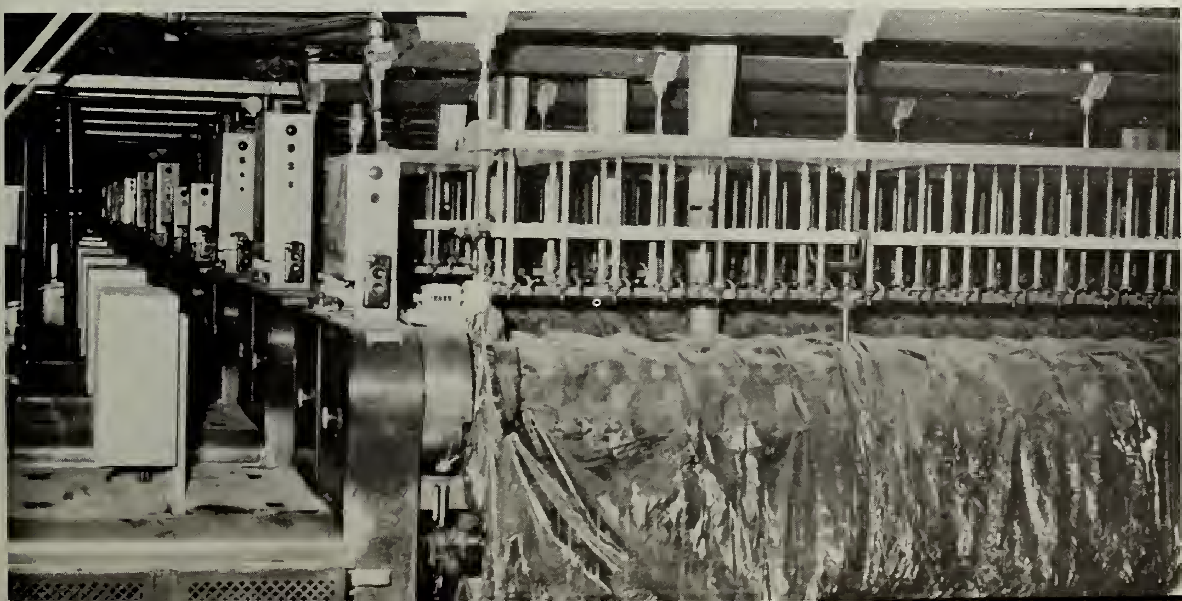
While the cost of raw cotton usually does not differ greatly from one country to another at a particular time, labor costs vary widely. The average wage paid female workers in Japan is more than six times that paid in some Southeast Asian countries.

LARGER Japanese textile manufacturers are investing in labor-saving equipment in their efforts to remain competitive. But the hardest hit are the hundreds of smaller companies, many of which employ fewer than 20 workers.

Also, the larger textile manufacturers are investing in plants in the developing countries and expect to use their technology and market experience to supply customers in Europe, the Mideast, and the Communist countries.

Some indication of the Japanese textile industry's difficulties can be seen in the thousands of workers who have been transferred to jobs outside the industry, retired ahead of schedule, or given compulsory vacations. Also, more than 50,000 workers—including part-time employees—have been dismissed, according to labor unions.

In the early summer of 1974, the Japanese textile situation took a turn for the worse as fears of a recession resulted in a sharp reduction in con-



To meet the challenge of overproduction, the Japanese cotton spinning industry early in 1975 sealed 35 percent of its spinning capacity, idling production equipment such as this (left). Although there has been some improvement in the industry's stock position, demand is still weak.

sumer purchases. Stocks of products, yarn, and raw cotton rose rapidly. Prices of cotton yarn dropped below production costs.

Producers voluntarily reduced textile output, but stocks continued to increase. Although Japanese workers in many industries received record-high bonuses in mid-1974, most increased their savings and became cautious in their spending and highly selective in their purchases.

To cope with overproduction, spinners requested permission from the Fair Trade Commission to seal 35 percent of production capacity for 6 months starting January 1, 1975. The Commission initially approved a cartel agreement for a 2-month period with a goal of 37.8 percent reduction in output, and has since extended the agreement three times for successive periods of 1 month each. The agreement ended May 31.

There has been some improvement in the textile industry's stock position during this 5-month period, but the industry still faces very weak demand. There is a belief in the industry that improvement will be fairly rapid, once the Japanese economy begins to improve. However, there is no consensus on just when the improvement will come.

The Japanese Government was successful in holding the advance in the consumer price index in April 1974-March 1975 (Japan's fiscal year) to 15 percent, compared with a 23 percent rise a year earlier. Because of this success, this year's spring wage demands were held to an average of 14 percent, a much more modest increase than that of a year earlier, which averaged nearly 33 percent.

It seems likely, now that the new wage contracts are signed, that the Government will turn a greater share of its attention to ways to get the economy moving again, with some resulting improvement possible in the second half of 1975.

While Japan's cotton purchases are expected to decline in 1974/75, the U.S. share of the Japanese market still should surpass 30 percent. Assuming that U.S. cotton will be both available and competitive in price, the shared experiences of U.S. cotton exporters and Japanese importers during the past 2 years should serve to strengthen the mutually advantageous trade relations between the two countries.

Food Supplier Nations Seek Increased Trade With Japan

By J. LAWRENCE BLUM
Foreign Market Development
Foreign Agricultural Service

JAPAN, the largest market for U.S. agricultural exports, is attracting sharp new sales interest from other supplier nations. Competition is warming up—not only in grain, soybeans, and cotton, but also in processed foods.

In the year that ended June 30, 1975, U.S. agricultural exporters sold a hefty $3.2 billion worth of farm products to Japan. This substantial marketing effort is partly a result of a wide range of technical and trade servicing and promotion activities carried out under FAS-Cooperator market development programs.

However, such activities are relatively small in comparison to promotion efforts of other nations. The promotion activities of U.S. competitors in 1974 were six times larger than the total U.S. effort, and their activities are expanding at a much greater rate than are those of U.S. exporters to Japan. In calendar 1974, for example, U.S. competitors carried out promotion activities for Japanese markets that were a third larger than those of the previous year.

Competition for Japan's rich agricultural markets is intense, especially in the primary commodity markets. A record 39 countries participated in sales promotion efforts in Japan in 1974—almost all of them in competition with U.S. farm products. Most of these promotion activities were staged in the Tokyo-Osaka corridor, where population density is the highest in Japan and where consumption trends are usually set.

About 75 percent of U.S. farm exports to Japan consist of wheat, corn, barley, sorghum, soybeans, and cotton. Meat and animal products, fruits and nuts, and tobacco are other important exports.

In the sale of grain to Japan, the principal U.S. competitors are Australia, Canada, and Thailand. Soybean sales competition comes mainly from Brazil and the People's Republic of China (PRC). Trade in meat and animal products is generated chiefly by Australia, Canada, New Zealand, and Taiwan in addition to the United States, while cotton competition is offered for the most part by the Soviet Union and Egypt.

Market promotion activities in Japan have increased in intensity and sophistication as well as in volume. Canada and the PRC, for example, increased their promotion programs considerably in 1974. The Canadian Wheat Board conducted the largest feed symposium ever held in Japan, and the PRC staged month-long exhibitions in both Osaka and Tokyo. Three countries—Bulgaria, the United Kingdom, and West Germany—inaugurated promotion centers in Tokyo.

Australia concentrated its promo-

The world's major meat-producing countries compete actively for shares in the Japanese market. Portion of a leaflet (right) issued by a Japanese meat importer extolls Australian meat products.

tional program on activities of the Australian Food Center, team travel, and technical assistance for Japanese flour millers.

Canada's expanded promotional program included team travel, seminars, and increased activities at leading department stores. Other major competing nations include Denmark, France, Mexico, New Zealand, and West Germany.

Although the promotion campaigns carried out in 1974 by U.S. competitors were varied in character, a number of emerging trends are apparent. The number of foreign-trade missions visiting Japan was expanded, as was the number of Japanese purchasing and inspection teams visiting other countries.

The number of point-of-purchase and consumer promotions increased in frequency during the year. The number of promotion activities with airlines increased.

The emerging promotion trends of 1974 are expected to become stronger, and will characterize market development activities for the next few years.

The consumer-ready and processed food market in Japan is expanding rapidly, and point-of-sale consumer promotions will be emphasized. And intense competition in bulk items such as wheat and feedgrains can be expected, with particular stress by competing countries on trade teams and technical servicing.

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U.S. Farm Exports to Japan

Continued from page 4

percent in fiscal 1975, with Canada and Australia supplying most of the rest.

The growth in U.S. wheat trade at a time of economic setback in Japan is explained by Japanese Government control of wheat imports through one of the state trading monopolies and its attempt to protect consumers from the impact of rising world prices.

For example, the average c.i.f. price of imported wheat from all sources, at \$6.08 per bushel in fiscal 1975, soared 28 percent over that of the previous year (import price changes are expressed in terms of the yen, which depreciated 6 percent against the U.S. dollar in fiscal 1975). Added to this was a decline in real income in Japan, for a combination of factors that would tend to dampen imports in a free market. But that tendency was eliminated when the Japanese Government opted last year to hold down increases in retail prices by selling wheat to millers at less than the import price.

A further volume gain to 115 million bushels from 113 million in fiscal 1975 is seen for this season.

Wheat is one of the long-standing U.S. exports to Japan, with its importance dating from the end of World War II and the introduction of bread into Japan's school lunch program in 1950. The first wheat flour used in that program was a private donation from the United States.

As with other commodities, the rise in Japanese wheat imports has been accompanied by a decline in domestic production, from the 1.8-million-ton peak reached in 1961 to insignificant levels recently.

Value of fourth-placed U.S. **cotton** exports to Japan last year managed to hold at the fiscal 1974 level of \$257 million, despite a sharp drop in demand for cotton and a 300,000-bale decline in import volume. This strong value showing is explained by the large amount sold under forward contracts concluded in fiscal 1974 when world cotton prices were still at high levels.

Japan's enormous cotton textile industry continues in the grip of one of its most serious recessions in recent years. The recession reflects not only the worldwide economic setback last year, but also Japan's spiraling wage rates, which have caught up with European wages and outdistanced those of such competitive textile producers as South Korea, Taiwan, and Hong Kong.

Despite these continuing problems, U.S. cotton exports to Japan should recoup some in volume this season as lower prices spur Japanese buying of U.S. cotton.

Cotton is the oldest U.S. agricultural export to Japan, with the first shipment made shortly after Commodore Matthew Perry opened U.S.-Japan trade in 1854. Japan at that time had a cotton industry of its own, but because of moisture conditions, the cotton was of low quality, while cost of production was high relative to that of the United States. As a result, the Japanese industry soon gave way completely to cotton imports from the United States.

Another fiber — silk — ranked as Japan's first major export to the United States, but it was supplanted by cotton textiles and cotton goods early in this century and they, in turn, were later eclipsed by shipments of iron and steel products, ships, and automobiles to the United States.

Tobacco—Japan's fifth largest import from the United States last season—like wheat went against the declining trend of imports, and this time with an astonishing 43 percent jump in import volume. U.S. tobacco accounted for about half the country's total import last year with value of such sales leaping nearly 40 percent to \$167 million. This gain came despite a 23 percent increase in the average c.i.f. import price to \$1.39 per pound last year and reflected prices for cigarettes and other tobacco products that have remained static since 1968, plus possibly heavy consumer buying in anticipation of a price hike. That increase could total as much as 50 percent if proposed cigarette and cigar price legislation is implemented. However, the legislature has yet to approve the increases.

Meanwhile, U.S. tobacco exports to Japan are expected to show another—but more modest—gain in fiscal 1976, reaching perhaps 110 million pounds.

Tobacco has been an increasingly significant agricultural import since the early 1950's. This expansion reflects soaring consumer demand, plus a domestic tobacco output that has held static at about 150,000 tons per year in the last quarter century. Also, control of tobacco trade by a state trading monopoly has cushioned the market against price swings.

Japan Food Plans for 1985

Continued from page 10

sumption, accelerated by low population growth rates. As a result, most Japanese—especially the 50 percent of the population that is 35 years of age or less—have come to expect rapid improvement in their standards of living and accompanying increases in discretionary expenditures.

Diets have improved substantially in recent years—more convenience foods are consumed and eating habits are becoming Westernized to a large extent. Even so, the share of total expenditures on food has declined by an average of about 1 percent annually, due in no small part to the economic benefits derived from the much cheaper imported foods.

Now, however, the Government's announced policy is to virtually halt further increases in the dietary level. The high support payments necessary to halt the decline in food self-sufficiency and improve crop and livestock ratios will be costly. Consumers are asked to be prepared to shoulder the burden through higher food costs, rather than benefiting from comparative advantage, in which each nation specializes in the goods it produces most efficiently.

This policy shift has recently been endorsed by a Government-appointed "Agricultural Problems Deliberation Council for Coping with Internationalization," composed of top business leaders and farm organization executives.

The Council, which is soon to present its proposals to the Prime Minister, recommends a near doubling of the Government's 1985 recommendations for wheat, barley, and rye to 2.8 million tons, in order to increase overall grain self-sufficiency to 40.9 percent instead of the Ministry's planned 37 percent. Soybean production would be increased to 700,000 tons, rather than 427,000.

It also proposes the setting up of a "national standard for dietary life to check the endless increase in food demand" and the establishment of a special account in the national budget to finance grain stockpiling at around a 2-months' consumption level. In quantitative terms, this would be 1.35 million tons of wheat and 1.8 million of feedgrains, but only 350,000 tons of soybeans owing to "spoilage if stocked too long."

The Council estimates that the tidy sum of 25,390 billion yen (about $86 billion at current exchange rates) will be needed between now and 1985 to translate its proposals into reality. This far exceeds the total cost of all of Japan's agricultural imports of all commodities from all countries for the 1960-72 period—about $45 billion. And 10 percent of the national budget already goes to agriculture which accounts for about 4 percent of the net national product.

Japan's concerns regarding food supplies are readily understandable considering its limited production resources in relation to the dynamic demand changes that have occurred or are still in progress. Then too, Japan's population—slightly over half that of the United States—lives in an area somewhat less than the size of the State of Montana. And only 15 million acres of land area are cultivatable—less than 5 percent of the U.S. total. Thus, it is an outstanding accomplishment that Japanese farmers are already producing nearly three-fourths of the food needs (value basis) of 110 million people on less than 15 million acres.

Production advances of recent years have also been noteworthy. In 1972, Japanese farmers had tripled production of all meats and eggs, compared with 1960, increased milk output 2.5 times, doubled fruit outturns, and pushed vegetable production up by one-half. Really heavy import dependence is only for wheat, feedgrains, and sugar—plus fats and oils.

The gains that Japan might derive from restricted diets at higher costs, produced largely at home, are questionable—particularly in view of present-day international interdependence. Presently, for example, Japan's agricultural economy relies heavily on fuel, fertilizer, vinyl, agricultural chemicals, and farm machinery—all produced mainly from costly imported raw materials.

By the same token, reasonably priced imported grains and livestock products have been readily available to Japan for at least the past quarter century. Estimated production capacities in food-producing countries seem to guarantee more-than-adequate supplies in the foreseeable future. And the widely advocated advantages that could be derived from holding several months' reserve stocks, over and above working levels are as yet untested by Japan.

Finally, the regulatory activities of multilateral forums, such as the General Agreement on Tariffs and Trade, which are aimed at liberalizing world trade and assuring supplies, should help to allay Japan's uncertainties and solidify the advantages of international specialization.

Japan's agricultural labor force, by 1970, had dwindled to about 13 percent of total workers. Of farm labor, 61 percent were women, 13 percent males over 60, and 17 percent males between the ages of 35 and 59. Younger workers have presumably found employment in industries producing automobiles, televisions, radios, cameras, ships, and other products that depend on exports to the world's major agricultural exporters for much of their success.

Japan's leaders are well aware of the questions and options raised by these issues, and future developments will depend largely on what actions and policies they feel to be in the country's best interests.

JAPAN: IMPORT AND DOMESTIC SUPPORT PRICE COMPARISONS
[In U.S. dollars per metric ton]

Item and year	Wheat: Price	Wheat: Change from previous year	Soybeans: Price	Soybeans: Change from previous year	Corn: Price	Corn: Change from previous year
Average import prices, c.i.f. Japan:						
1971	70	—	131	—	73	—
1972	70	0	140	+ 9	63	− 10
1973	122	+ 52	210	+ 70	94	+ 31
1974	190	+ 68	270	+ 60	154	+ 60
Domestic support prices:					Common barley	
1971	180	—	258	—	157	—
1972	213	+ 33	314	+ 56	181	+ 24
1973	284	+ 71	412	+ 98	232	+ 51
1974	456	+172	653	+241	396	+164

Source: MOF Import Data and MAF

CROPS & MARKETS

—GRAINS • FEEDS • PULSES • SEEDS—

Denmark's 1975 Grain Production Lower. The Danish Government in its first estimate of the 1975 grain crop has placed total grain production at 6,351,000 metric tons, down 12.5 percent from the record 1974 crop and about 7 percent below normal. The crop was harvested in good condition and losses have been minimal, but lower yields, combined with a smaller sown area, have reduced the outturn even below the 6.8 million tons previously estimated by FAS.

Lower grain production could make Denmark a small net importer of grain in the 1975/76 August-July season. In 1974/75, Denmark had a net export of 804,000 tons of grain, of which 604,000 tons were feedgrains. With feedgrain production declining by 873,000 tons from last year and livestock feeding expected to be unchanged, Denmark should have to import almost 500,000 tons of feedgrains if its expected exports of 200,000 tons of barley materializes. Additionally, 150,000 tons to 200,000 tons of wheat will probably be shipped to other European Community countries in 1975/76.

Rotterdam Grain Prices and Levies. Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Sept. 29	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	6.12	−38	6.04
USSR SKS-14	([1])	([1])	([1])
French Feed Milling [2]	3.72	−32	([1])
U.S. No. 2 Dark Northern Spring: 14 percent	5.50	−13	6.06
U.S. No. 2 Hard Winter: 13.5 percent	5.33	−19	5.91
No. 3 Hard Amber Durum	7.08	+22	7.67
Argentine	([1])	([1])	([1])
U.S. No. 2 Soft Red Winter	4.68	+ 7	([1])
Feedgrains:			
U.S. No. 3 Yellow corn	3.50	− 8	3.94
French Maize [2]	3.52	− 7	([1])
Argentine Plate corn	3.99	− 6	4.11
U.S. No. 2 sorghum	3.39	− 5	3.84
Argentine-Granifero sorghum	3.43	− 4	3.89
U.S. No. 3 Feed barley	3.62	− 2	([1])
Soybeans:			
Brazilian	6.50	−22	([1])
U.S. No. 2 Yellow	6.20	−24	9.25
EC import levies:			
Wheat	.25	−10	0
Corn	.39	− 2	0
Sorghum	.44	−10	0

[1] Not quoted. [2] Basis c.i.f. west coast, England
NOTE: Price basis 30- to 60-day delivery

Australia's Wheat Crop Outlook Improves. Recent rains—even too much in some areas—have greatly improved the prospects for the 1975/76 wheat crop in Australia, with production of 11 million metric tons now a possibility. The Australian Wheat Board currently is estimating wheat production at 10.33 million tons, but some sources consider this to be a minimum. If the wheat crop reaches 11 million tons, it is expected that some 8.5 million tons would be available for export in Australia's 1975/76 December-November marketing year. Australia's wheat production totaled 11.2 million tons in 1974/75, while exports in the 1974/75 marketing year are estimated at 9.2 million tons.

Canadian Grain Harvest in Full Swing. With the return of favorable weather, the grain harvest in Canada's Prairie Provinces is moving rapidly ahead. Swathing is virtually completed, and combining is in full swing. Yields appear to be about average, but there has been some deterioration in quality because of the earlier wet weather. Although there have been widespread reports of frost, damage so far seem to have been light.

Argentine 1975/76 Wheat Acreage Up. The second official estimate of 1975/76 wheat plantings in Argentina places the sown area at 5,745,000 hectares, 10.8 percent over that of 1974/75. According to trade sources, planting was delayed because of excessive moisture in the central region and by drought in the south. Sowing reportedly has been completed, and recent rains in the south have greatly improved the situation in that area. With a 19 percent increase in the wheat area, conditions are particularly good in La Pampa Province, where production is erratic from year to year.

It is generally believed that Argentine farmers will increase crop production this year because of depressed cattle prices and the need for alternative income. Significant increases are expected for sunflowers, soybeans, and sorghum, but corn area also will be increased. As spring sowing commences, soil moisture is excellent in the north and central corn belt, but somewhat short—although no longer critical—in the south. Corn planting has been delayed somewhat because of unseasonably cold weather.

Hungary's Wheat Production Down, Corn Up. Hungarian officials are now estimating 1975 wheat production at about 4.1-4.2 million metric tons, down from the previous estimate of 4.4 million tons and well below the record 1974 crop of 5 million tons. Decreased wheat production is attributed to a 5 percent reduction in sown area, down to 1,260,000 hectares, and lower yields that reflect the adverse effects of heavy rains at harvest time. Although less wheat was produced in 1975, it is still the third highest year on record. Wheat production should be more than sufficient to meet domestic needs, but exports in the 1975/76 July-June marketing year will be substantially below the 934,000 tons exported in 1974/75.

After an inauspicious beginning, the 1975 corn crop could surpass the record 1974 harvest of 6.2 million tons. Corn production in excess of 6.5 million tons is currently indicated—barring unfavorable weather during harvest, which is expected to be in full swing by mid-October. With a crop of this magnitude, exports—mainly to other East European countries—on the order of 1 million tons could be expected during 1975/76.

Spain Acts To Ease Tomato Conflicts. A series of conflicts between Spanish tomato growers and processors has developed in the major production area of Estremadura. These conflicts were primarily generated by hot weather conditions that caused rapid ripening of tomatoes and resulting large quantities ready for processing at one time; the disinclination of processors, in view of limited sales potential for products at relatively low prices, to pack large quantities of tomatoes; and the lower prices, compared with earlier offerings of $53.55-$58.00 per ton, offered by processors.

After a number of riots, the Government reportedly has intervened to ease tensions by obliging processors to pay a minimum price ranging from $39.45 to $44.60 per metric ton and to pay a premium (amount not yet identified) to farmers for tomatoes delivered after September 20. This premium is intended to help spread the supply over a longer period. Indications are that some type of Government subsidy will be made available to the processors.

Portugal's 1975 Almond Pack Down. Almond production in Portugal during 1975 is estimated at 3,500 metric tons (in-shell basis), 22 percent less than last year's harvest of 4,500 tons. The decrease was principally caused by gusty winds and very cold weather that battered the orchards during blossoming.

Portugal's exports are expected to total 3,500 tons during 1974/75, slightly more than half the 6,600 tons shipped the year before. The principal buyers continue to be West Germany, France, the Benelux countries, and—for the first time—the Soviet Union. Portugal imports no almonds.

Reportedly, sharp increases in the domestic price of sugar during 1974/75 reduced almond purchases for the domestic confectionery industry. This decrease, together with high domestic almond prices, caused total domestic consumption to decline. The price situation looks bleak, as the National Fruit Board is currently the sole purchaser of almonds—at above world prices. If the world price situation does not improve, the Board stands to lose a substantial amount. Because of the situation, almond stocks are building with little incentive to export.

Italy's Almond Crop Up, Filbert Down. The commercial almond crop in Italy is estimated at 26,000 metric tons (shelled basis), 86 percent more than the 1974 output of 14,000 tons. Satisfactory climate conditions in all areas have been the determinant factor for this increase. However, this is the fifth consecutive year that Italian production has failed to achieve the 10-year average (1964-74) level of 29,000 tons.

During marketing year 1974/75, Italian almond exports totaled 3,000 tons, slightly less than the 3,300 tons shipped the year before. The small decline was principally a result of uncompetitive prices. The major purchasers of Italian almonds are other European Community (EC) members. Forecasts indicate a sizable increase—19,000 tons—in Italy's exports during 1975/76.

Italian almond imports during 1974/75 also declined from year-ago levels. Imports amounted to 1,200 tons, compared with 4,100 tons the season before. The majority of the imports originated in the United States and Spain.

As a result of a low level of exports and relatively slack domestic market, large unsold stocks—mainly in Sicily—have been reported. Last spring, very few contracts for autumn delivery were signed by European manufacturers. However, the domestic almond market is presently quite active, reflecting the changing world monetary situation, which has seen the strengthening of the dollar and the weakening of the Italian lira. At the present rate of exchange, Italian almonds are less competitive within the EC than the U.S. product.

Italian filbert production for 1975 is currently estimated at 75,000 tons (in-shell basis), compared with last year's crop of 103,000 tons. The reduction is a result of the normal decline in yield after a large harvest and dry weather.

Italian filbert exports during the 1974-75 season totaled a record 71,000 tons, about 50 percent more than the shipments of last year and 12 percent greater than the previous record of 63,200 tons. Western Europe continues to be the major outlet for Italian filberts. It is reported that several Arab countries have become eager buyers of Italian filberts. Exports for 1975/76 are forecast at 42,000 tons. Imports in 1974/75 were negligible.

The high volume of sales in 1974/75 in both domestic and foreign markets resulted in rather low ending stocks, which are mainly in the hands of the trade.

Turkey's Record Filbert, Almond Crops. Current estimates place the 1975 Turkish filbert crop at a record 300,000 metric tons (in-shell basis), about 25 percent above the 240,000 ton harvest of a year ago and 20 percent higher than the July 1975 estimate of 250,000 tons. The primary factor is the excellent weather prevailing in the main producing regions.

Although output is expected to be up substantially, filbert exports for the 1975/76 season are forecast at 200,000 tons, 11 percent more than the 180,000 tons shipped last year.

There are no official estimates on stocks or domestic consumption. However, it is believed that consumption is on the increase, chiefly as a result of promotional programs sponsored by the filbert cooperative (Fiskobirlik).

The Government continues to help producers by supporting prices. Last year, support prices were set rather high in the expectation that world prices would eventually reach these levels. They never did. The 1974 support price was 45 U.S. cents per pound for in-shall round filberts, and the 1975 price is the same. In past years, there was only one minimum export price as a base, without consideration of the quantity sold. For the first time, several base prices will be set for exports during 1975/76, depending on the amount purchased. The new export prices, in dollar per kilogram are: Less than 100 metric tons, 183; 101-300 tons, 180; 301-600, 177; 601-1,000, 174; 1001-2,000, 171; 2,000 or more, 168. The new price policy also changes the price system for filberts sold to the United States. Three base prices are set for U.S. shipments (in dollars per kilogram): 1-3 month payment period, 174; 3-6 months, 172; 6 months or more, 170.

The 1975 Turkish almond crop is estimated at 26,000 tons (in-shell basis), the largest on record but only 1,000 tons greater than last year's estimated output.

Turkish almond exports are insignificant, as the bulk of the crop is consumed domestically.

LIVESTOCK • PRODUCTS

U.K. Limits Ports of Entry for Meat. Imports of fresh, chilled, and frozen meat and offal into the United Kingdom since September 30 may be licensed for entry only through the ports of Avonmouth, Cardiff, Liverpool, London (Royal Group), Sheerness, Southampton, Dover (Eastern Docks), Great Yarmouth, Grimsby, Harwich, London (Tilbury), and Tyne (North Shields). Import licenses for other ports will not be granted, except in special circumstances. The action was taken because of inadequate inspection facilities for chilled, fresh, and frozen meat products at other U.K. ports. Canned meat, ham, bacon, and dried sausage are not included in the list of products limited as to port of entry, but the Government warns that some of these products may be added.

Larger Irish Export Subsidy Granted. The European Community on September 9 increased the subsidy on boneless, frozen beef exports from Ireland to the United States from 52 to 65 units of account per 100 kg (about 10 U.S. cents per lb to 16 cents). If the new amount is not reduced by higher export taxes, Irish beef producers will be encouraged to increase their shipments to the United States. U.S. imports of beef from Ireland totaled 1.1 million pounds during January-July 1975, compared with 34.7 million pounds in the same months of 1974.

COTTON

India Sells Some Surplus Upland Cotton. Trade reports indicate India recently sold around 15,000 bales (480 lb net) of surplus medium-long to long staple cottons, bringing first-time sales of those qualities to a little over 20,000 bales. The sale, made through Hong Kong on behalf of an international trading organization, was reportedly near international prices for comparable foreign qualities. This could imply a substantial official export subsidy, since domestic prices for the exported qualities have been above world levels.

TOBACCO

Hungary's Tobacco Production Lagging. Hungary's annual tobacco production has increased to only about 40 million pounds, up from 33 million pounds in 1971, indicating an approximate 15-million pound shortfall in leaf self-sufficiency.

Unless Hungary's leaf output rises much faster than it has in recent years, this shortfall could increase considerably by 1980 if projected cigarette production is achieved.

Such a shortfall could mean greater export opportunity for U.S. tobacco, depending on the extent to which blended light tobacco cigarettes displace traditional dark aromatic types in the Hungarian market, the availability of foreign exchange, and the decision to import leaf and products from countries other than Hungary's East European trading partners.

The planned increases in cigarette output and consumption have implications for Hungary's leaf production and trade. Leaf imports have increased in recent years as production has declined.

The fifth Five-Year Plan (effective in 1976) provides for increasing cigarette production to 30 billion pieces by 1980. Production in 1974 was 23.6 billion. Filter-tip cigarettes are expected to account for 80 percent of the types produced in 1980.

Hungary's per capita consumption of cigarettes (about 3,000 pieces per year) is high by world standards. Filter tips, introduced in 1961, account for over 60 percent of the brands consumed. The six leading brands (out of 30) have over 90 percent of total sales. The retail price spread between brands is wide, with the expensive brands selling at up to seven times the price of the cheapest brands.

Tobacco consumption in Hungary has shifted in the past 35 years—as it has in most countries—from cigar and pipe smoking to cigarettes.

OILSEEDS • PRODUCTS

U.S. Rules on Brazilian Castor Oil. The U.S. Treasury Department's Customs Service has determined tentatively that benefits received by Brazilian manufacturers-exporters of hydrogenated castor oil and 12-hydrostearic acid may constitute bounties or grants within the meaning of the U.S. Tariff Act of 1930. These benefits include granting of tax credits upon export, income tax reduction, and preferential financing. Views pertaining to the preliminary determination should be submitted to the U.S. Commissioner of Customs by October 11 in order to be considered before a final determination is made.

SUGAR • TROPICAL PRODUCTS

India's 1975/76 Jute Prospects Improve. Latest indications are that India's total production of jute and kenaf in 1975/76 may be closer to 990,000 metric tons than the 900,000 tons predicted earlier. Favorable weather conditions in recent months are reported to have improved prospects for this year's crop in many of the important producing areas. The resultant increase in average yields is expected to offset, to a large extent, the probable production loss from reduction in area caused by dry weather during the planting period.

According to official estimates, production of kenaf in 1974/75 totaled 238,800 tons, compared with 262,150 tons in 1973/74. This total brings combined production of jute and kenaf in 1974/75 to 1,047,000 tons, compared with 1,382,000 tons in 1973/74.

DAIRY • POULTRY

Nonfat Dry Milk Crisis Worsens. World stockpiles of nonfat dry milk continue to grow. Stocks in the European Community were estimated at 1 million metric tons in early September. U.S. uncommitted CCC stocks totaled 217,000 tons on August 30. New Zealand's stocks were estimated at 150,000 tons in early July, and may have increased since. Australia had an estimated 50,000 tons on hand in early September—a dramatic buildup from the low level reported only a few months ago. All told, stocks in Western market countries stand at about 1.5 million tons—nearly half of 1975 world production. Australia recently cut its minimum export price to 26⅔ U.S. cents—less than half the U.S. support price.

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Japan's Recession May Be Ending

Continued from page 6

monetary and fiscal policies, as well as price controls and price monitoring, were brought into play to check the soaring rate of inflation.

The main reason for caution was to stem major wage increases this year. Most wage contracts are negotiated each year in April and May during what has become known as the "annual spring wage offensive." By reducing the annual rate of inflation in retail prices to 14 percent by March 1975, the wage increases—which are tied to the rate of inflation—were held to 13 percent, compared with 33 percent in the spring of 1974.

Since the end of 1974, demand management policies have been cautiously relaxed in four successive packages of policies to stimulate the economy.

Three of the new policy packages included reducing the official discount rate. The rate was raised to an all-time high of 9 percent in December 1973 and remained at that level until April of this year, when it was lowered to 8.5 percent. It was then lowered to 8.0 percent in June and to 7.5 percent in August.

The big question now is whether Japan will return to its rapid economic growth of the past few decades. That expansion boosted Japanese economic output to the third highest in the world after the United States and the Soviet Union's. In 1974, Japan's GNP was valued at $450 billion, one-third that of the United States in terms of the total but nearly two-thirds U.S. per capita GNP and over eight times U.S. GNP per square mile of land area.

Food Supplier Nations

Continued from page 27

The FAS-Cooperator market development program in Japan has, over the past two decades, established strong U.S.-Japanese trade relationships. However, the quality of these relationships has been severely tested by the 1973 U.S. export embargo on soybeans and the consequent Japanese effort to diversify sources of agricultural supplies.

The FAS-Cooperator market development program probably will face its toughest competition over the next few years. But the combination of experience, hard work, and imaginative ideas that has characterized the program since its inception should serve again to keep the United States in its leading position as a supplier of agricultural products to Japan.

U.S.-Style Feedlots Are Success in Japan

Continued from page 23

agement systems, and least-cost ration formulation.

While per capita consumption of beef is still low—in comparison with most industrialized countries—recent demand has far exceeded Japan's present capacity to produce and has stimuated imports of foreign-produced beef.

To encourage domestic production, the Government has instituted a number of incentives, including loans, programs to improve forage crops and pastureland, price guarantees, and stabilization of wholesale prices by regulating the quantities of beef imported.

Illustrating the strong focus on meat production, the forthcoming budget for the Livestock Bureau, Ministry of Agriculture and Forestry, represents a 28 percent increase over last year's. Feed and related livestock encouragement projects will receive over 50 percent of the Livestock Bureau's total budget.

Japanese beef is generally thought of in terms of the highly marbled, world famous, Kobe beef produced from 3-to-5-year-old heifers by supplementing feed with beer and regular massages. Rapidly increasing farm labor and feed costs, however, have relegated this exotic method of production to less than 6 percent of total beef produced.

At present, much of Japan's domestic beef supply is produced in facilities ranging from elaborate cement block and structural steel barns to sapling pens with straw roofs. Most Japanese beef feeders have capacity for 20 to 200 head.

Various contract feeding schemes exist, under which the farmer supplies facilities, roughage in the form of rice straw, and labor. The contracting entity, be it a supermarket chain or agricultural cooperative, furnishes a combination of concentrate feed, and veterinary services, and pays labor on a per head per day basis.

While this system has been important in modernizing Japan's beef production, it offers no incentive for efficiency in terms of rates of gain and feed conversion. Contract feeders are, in fact, paid on the basis of the number of cattle fed, rather than on beef produced.

Although a number of confinement beef cattle fattening facilities do exist, they represent more a blending of traditional practices with some Western ideas than full-scale modernizations.

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